B5155 1 U.A

A summary of the 1982 operations of 1,528 community pharmacies
The most comprehensive report of community pharmacy operations available

Published annually in September of the following year as a service to community pharmacy in the interest of sound management

Eli Lilly and Company • Pharmaceutical Division
General Offices and Principal Laboratories • Indianapolis, Indiana 46285

Editor: Carl H. Deiner, R.Ph.
Art Editor: Ms. Linda Harris
Technical Assistance: Ms. Jeanne Sutton
Ms. Grace Witte
Ms. Patricia Jones

Copyright, 1983, by Eli Lilly and Company 60-DR-0142 Litho in U.S.A.

Foreword

The LILLY DIGEST is a compilation of detailed financial information voluntarily submitted by independent community pharmacists in the United States. It presents the current operating statistics of these pharmacies and is published each year by Eli Lilly and Company as a service to the profession of pharmacy.

The DIGEST provides pharmacist-managers with a comparative reference that may aid them in making management decisions and identifies overall trends in pharmacy operations that can be useful in long-range planning. Since no attempt has been made to define or structure the sample, the LILLY DIGEST does not claim to describe what is optimal, satisfactory, or successful for independent community pharmacy. It simply presents the averages of actual data reported to the DIGEST. Each participant received a personalized analysis of his or her operating data, with constructive suggestions for improvement when those were considered appropriate.

The "Heart of the LILLY DIGEST" (pages 23 through 35) comprises 31 summaries of 1982 operating figures, arranged according to total sales volume and daily prescription activity. For comparative purposes, the pharmacist-manager can readily isolate the summary that is most similar to his or her own.

The year 1983 marks the beginning of the second half century of publication of the LILLY DIGEST. Eli Lilly and Company is pleased to offer this service to all who are interested in independent community pharmacy and would like to express thanks and appreciation to more than 1,500 participants who took the time to submit their operating figures, for it is their effort that has made this latest edition possible.

Table of Contents

Page

Foreword 1

Community Pharmacy Operations—1982 4
Table 1 *Current trends in pharmacy operations* 5
Table 2 *Current trends in prescription department operations* 5

Sales and Expenses 6
Chart 1 *Selected operating statistics according to sales volume* 7
Table 3 *Summary of sales volume in 1982* 8
Table 4 *The average prescription charge index compared with standard price indices (1967 = 100)* 13
Table 5 *Averages of pharmacy operations—1973-1982* 14
Chart 2 *A decade of sales growth* 14

Prescription Department Analysis 16
Table 6 *Average community pharmacy break-even data—1973-1982* 16
Chart 3 *Selected operating statistics according to prescription income as a percent of sales* 17
Table 7 *Summary by number of prescriptions dispensed daily in 1982* 18
Table 8 *Summary of prescription income in 1982* 20
Table 9 *Prescription trends in LILLY DIGEST pharmacies* 22

The Heart of the LILLY DIGEST 23

Find and Compare / 1982 operations according to sales and number of prescriptions dispensed daily
Table 10 *Sales under $200,000* 24
Table 11 *Sales $200,000-$300,000* 26
Table 12 *Sales $300,000-$400,000* 28
Table 13 *Sales $400,000-$500,000* 30
Table 14 *Sales $500,000-$750,000* 32
Table 15 *Sales over $750,000* 34

Net Profit 36
Table 16 *Net profit according to sales size* 36
Table 17 *Turnover comparison* 36

Page

Regional Variations 37

Table 18 *Geographic summary of average prescription charge and net profit* 37

Table 19 *Summary by geographic regions in 1982* 38

Pharmacy Location 40

Chart 4 *The effect of location on pharmacy operating data* 40

Table 20 *Summary of pharmacy operations according to location* 41

Rent 42

Table 21 *Rental percentages by sales size* 42

Table 22 *Rent correlated with various factors* 43

Balance Sheet and Financial Ratios 44

Table 23 *Current trends in balance sheet information* 46

Table 24 *Current financial ratios by pharmacy age* 46

Table 25 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982--sales under $200,000* 47

Table 26 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales $200,000 to $400,000* 48

Table 27 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales $400,000 to $600,000* 49

Table 28 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales over $600,000* 50

Table 29 *Ten-year trends* 51

Lilly Analysis Service Participants—One Year Later 52

Table 30 *Summary of operating figures in pharmacies reporting two years and one year* 52

The Lilly Analysis Service 53

In Conclusion 54

Community Pharmacy Operations—1982

For the thirty-third consecutive year, the average LILLY DIGEST pharmacy reported higher sales (see Table 1) and set a new record at $498,021. Total sales grew 13.4% during 1982, well above the average annual growth rate of 9.2% noted over the past decade. Although total sales showed a substantial increase, the cost of goods sold rose at an even faster rate and thereby forced gross margin down to a new ten-year low of 33.6% of sales. Percentagewise, total expenses declined somewhat during 1982. However, even though proprietor's or manager's salary, employees' wages, and rent declined as percentages of sales, net profit before taxes fell to 2.9% of sales. This was the first time in DIGEST history that net profit before taxes dropped below the 3% level.

As can be seen in Table 2, prescription sales volume improved over that of the previous year. The growth rate outpaced an increase in other sales, both in dollars and as a percentage. Prescription revenue again accounted for more than half of the independent community pharmacy's volume and increased from 54.6% to 54.7% of total sales—the largest percentage increase over sales in the previous year in more than a decade. The importance of the professional area to the average independent community pharmacy cannot be overemphasized. It is this service that distinguishes pharmacies from other kinds of retail businesses. The fact that over 50% of total revenue is centered in the prescription department also attests to the significant impact this area has on the financial records of the average independent community pharmacy.

For the past three consecutive years, the cost-of-goods-sold percentage figure was stable at 65.7%; however, during 1982, it rose 0.7% to 66.4% of sales. This was of particular importance, since it was the major contributing factor to the reduction in profitability. In fact, the increase in the cost of goods sold produced the lowest gross margin level since 1954.

Total expenses declined from 31.1% to 30.7% of sales. Managers usually attempt to offset a rising cost of goods sold by reducing total expenditures so that net profit before taxes will remain stable. However, the economies gained by reductions in proprietor's salary, employees' wages, and rent were insufficient to compensate for the rise in the cost of goods sold, and the result was a lower net profit. Heat, light, and power; depreciation; advertising; and miscellaneous expenses grew at a faster rate than did sales. On the other hand, interest expense rose at half the rate reported during the previous year, which may reflect a decline in prevailing loan charges. Rent dropped slightly to 2.4% of sales (down from 2.5% in 1981). This expense has continued to remain fairly stable as a percent of sales.

Miscellaneous operating costs (including all expenses other than proprietor's or manager's salary, employees' wages, and rent) took a larger share of the sales dollar —up from 10.7% to 11.0% of sales in 1982—and contributed to the 11.8% increase in total expenses.

Dollarwise, net profit before taxes was 4.3% higher than the figure for the previous year (up $595). Expressed as a percent of sales, it fell to 2.9% —down from 3.2% during 1981. The decline in both net profit and proprietor's salary caused total income to drop substantially as a percent of total sales, from 9.6% in 1981 to 8.9% in 1982, even though total income in dollars rose almost $2,600 to over $44,000 before taxes.

Higher prescription revenue in 1982, up almost $33,000, was the result of a 1% increase in the total number of prescriptions dispensed, accompanied by an increase of $1.11 in the average prescription charge, from $8.80 to $9.91. It should be noted that the number of doses dispensed in each prescription rose again, reinforcing a long-term trend.

An upward trend in the average number of prescriptions dispensed continued during 1982. The share of new prescriptions expanded slightly, to 48.8% of all prescriptions dispensed (up 0.2% from the previous year). Renewed prescriptions were also higher (0.7%) as compared with 1981 figures but fell as a share of total prescriptions (down from 51.4% to 51.2%). As a result, there was a gain of 276 in total prescriptions dispensed. During 1982, 27,501 prescriptions were dispensed in the average independent community pharmacy—just 71 short of the 20-year record high established in 1975.

Total inventory investment rose in dollars to over $76,000 but decreased as a percent of sales from 15.7% to 15.3%. This relationship meant greater sales productivity per inventory dollar. Both the prescription department and other sales contributed to the greater productivity.

Prescription inventory required about $2,800 more in 1982 than in the previous year; however, it was lower as a percent of sales (down 0.3% to 10.9%). Consequently, the prescription department's sales productivity advanced from $8.92 to $9.19 per stock dollar. Other merchandise inventory also was higher in dollars but lower as a percent of sales, down from 21.0% to 20.7%. This is reflected in the increase in productivity from $4.76 to $4.84 per dollar invested in inventory.

The size of the average independent community pharmacy was a little over 2,500 square feet during 1982. This size is consistent with areas recorded in previous issues of the DIGEST and includes almost 400 square feet dedicated to the prescription dispensing function.

Table 1 *Current trends in pharmacy operations*

Averages per Pharmacy	1982 1,528 Pharmacies	1981 1,750 Pharmacies	Amount and Percent of Change
Total sales	$498,021—100.0%	$439,133—100.0%	+$58,888—13.4%
Cost of goods sold	330,577— 66.4%	288,421— 65.7%	+$42,156—14.6%
Gross margin	$167,444— 33.6%	$150,712— 34.3%	+$16,732—11.1%
Expenses			
Proprietor's or manager's salary	$ 29,965— 6.0%	$ 27,983— 6.4%	+$ 1,982— 7.1%
Employees' wages	56,454— 11.3%	50,689— 11.5%	+$ 5,765—11.4%
Rent	12,018— 2.4%	10,886— 2.5%	+$ 1,132—10.4%
Heat, light, and power	4,437— 0.9%	3,758— 0.9%	+$ 679—18.1%
Accounting, legal, and other professional fees	2,305— 0.5%	2,079— 0.5%	+$ 226—10.9%
Taxes (except on buildings, income, and profit) and licenses	7,455— 1.5%	6,706— 1.5%	+$ 749—11.2%
Insurance (except on buildings)	5,191— 1.0%	4,640— 1.1%	+$ 551—11.9%
Interest paid	4,023— 0.8%	3,612— 0.8%	+$ 411—11.4%
Repairs	1,874— 0.4%	1,974— 0.4%	−$ 100— 5.1%
Delivery	2,329— 0.5%	2,206— 0.5%	+$ 123— 5.6%
Advertising	5,422— 1.1%	4,745— 1.1%	+$ 677—14.3%
Depreciation (except on buildings)	4,898— 1.0%	3,886— 0.9%	+$ 1,012—26.0%
Bad debts charged off	647— 0.1%	636— 0.1%	+$ 11— 1.7%
Telephone	1,776— 0.4%	1,588— 0.4%	+$ 188—11.8%
Miscellaneous	14,082— 2.8%	11,351— 2.5%	+$ 2,731—24.1%
	11.0%	10.7%	
Total expenses	$152,876— 30.7%	$136,739— 31.1%	+$16,137—11.8%
Net profit (before taxes)	$ 14,568— 2.9%	$ 13,973— 3.2%	+$ 595— 4.3%
Total income of self-employed proprietor (before taxes on income and profits)	$ 44,533— 8.9%	$ 41,956— 9.6%	+$ 2,577— 6.1%
Value of inventory at cost	$ 76,216— 15.3%	$ 68,768— 15.7%	+$ 7,448—10.8%
Annual rate of turnover of inventory	4.5 times	4.3 times	
Hours per week pharmacy was open	62	62	no change

NOTE: These national averages are presented to give a composite picture of the average LILLY DIGEST pharmacy. Comparisons for analysis should be based on the operations of pharmacies of comparable sales and prescription size which appear in one of the 31 arrangements in the "Heart of the LILLY DIGEST."

Table 2 *Current trends in prescription department operations*

Averages per Pharmacy	1982 1,528 Pharmacies	1981 1,750 Pharmacies	Amount and Percent of Change
Sales			
Prescription	$272,527— 54.7%	$239,561— 54.6%	+$32,966—13.8%
Other	225,494— 45.3%	199,572— 45.4%	+$25,922—13.0%
Total	$498,021—100.0%	$439,133—100.0%	+$58,888—13.4%
Value of inventory at cost and as a percent of sales			
Prescription	$ 29,642— 10.9%	$ 26,854— 11.2%	+$ 2,788—10.4%
Other	46,574— 20.7%	41,914— 21.0%	+$ 4,660—11.1%
Total	$ 76,216— 15.3%	$ 68,768— 15.7%	+$ 7,448—10.8%
Sales per dollar invested in inventory			
Prescription	$9.19	$8.92	+$ 0.27— 3.0%
Other	4.84	4.76	+$ 0.08— 1.7%
Size of area (square feet)*			
Prescription	393— 15.6%	385— 16.0%	+ 8— 2.1%
Other	2,131— 84.4%	2,017— 84.0%	+ 114— 5.7%
Total	2,524—100.0%	2,402—100.0%	+ 122— 5.1%
Sales per square foot*			
Prescription	$687.87	$616.27	+$ 71.60—11.6%
Other	104.23	98.13	+$ 6.10— 6.2%
Total	195.08	181.24	+$ 13.84— 7.6%
Number of prescriptions dispensed			
New	13,421— 48.8%	13,239— 48.6%	+ 182— 1.4%
Renewed	14,080— 51.2%	13,986— 51.4%	+ 94— 0.7%
Total	27,501—100.0%	27,225—100.0%	+ 276— 1.0%
Prescription charge	$9.91	$8.80	+$ 1.11—12.6%

*Based on averages of pharmacies that reported all data

Sales and Expenses

One of pharmacy management's major objectives is to maximize sales. Although generating sales is critical, it is equally important to control operating and merchandise costs so that an adequate net profit and return on investment are realized. Sales volume and growth provide the basis on which a successful operation is built, but any sales program must be accompanied by efficiencies in all operating areas to insure the profitability of the business.

The LILLY DIGEST figures are adjusted to exclude refunds, returns, and allowances to customers. Sales and excise taxes are also deducted, and the cost of goods sold includes freight-in but is reduced by supplier discounts.

Sales volume and operating statistics vary among different types of pharmacies. Consideration should therefore be given to the type of operation under examination when the information is used for comparative purposes. For example, a large shopping center unit would be quite different from a small medical office building pharmacy in most respects.

It should be noted that the Sales and Expenses section and the "Heart" section of the DIGEST include an additional sales category for stores reporting annual sales volume in excess of $1,500,000.

Chart 1 and Table 3 illustrate how selected major operating statistics vary with sales volume. The general trends observed in previous DIGESTS appear to be unchanged again this year—gross margin and total expenses tended to decline percentagewise as total sales increased. However, since the drop in the total expense percentage was not enough to compensate for lower gross margin, net profit tended to decrease.

The influence of the total wage package on expenses is evident in Chart 1. Percentagewise, as sales rise, employees' wages tend to increase, whereas proprietor's salary declines. Since the wage package is an important component of total expenses and, therefore, affects net profit, management should attempt to match wage expense to employee productivity, with the aim of increasing output per personnel hour.

Gross Margin—As sales grow, the gross margin tends to reach a lower percent of sales. This relationship may also be associated with the ratio of prescription sales to total sales, since Table 3 shows how gross margin declines when that ratio falls. Pharmacies with total sales under $150,000 reported prescription revenue of 77.9% of sales and a gross margin of 37.8%. Stores that had sales over $1,500,000 reported prescription activity amounting to 31.6% of sales and a gross margin of 29.5%. The sales mix changes as volume expands, with the larger stores showing a greater proportion of nonprescription sales.

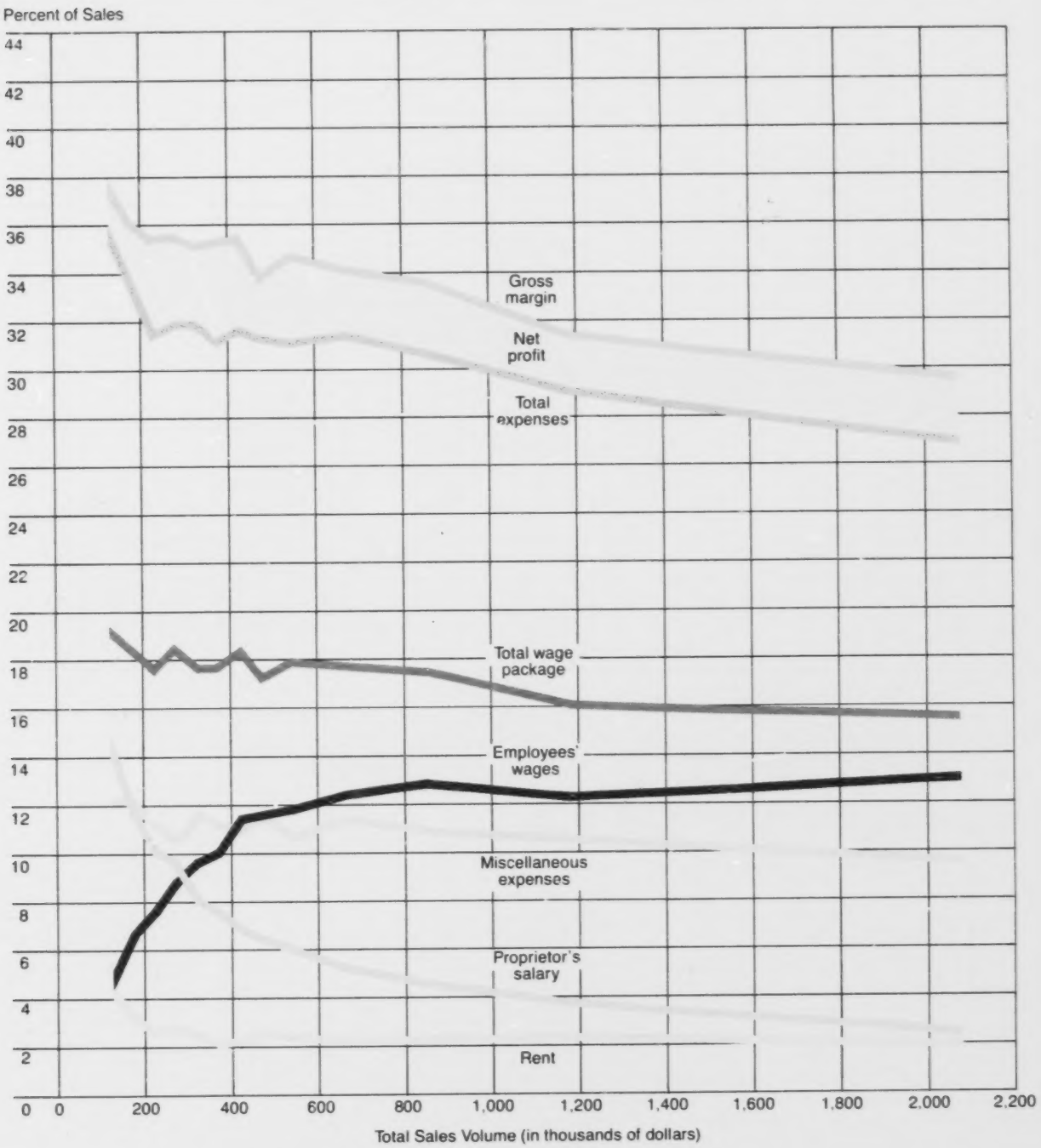
Expenses—Total expenses appear high as a percent of sales when annual sales are below $150,000 because many of the expenses incurred by a pharmacy are fixed in nature. When sales rise, however, this percentage tends to decline. Total expenses fall from 35.9% of sales for pharmacies with revenue under $150,000 to 27.0% for units with more than $1,500,000 in total volume.

Salary and Wages—With growing sales volume, there is a significant difference between the trends of employees' wages and proprietor's salary. The proprietor's salary rose dollarwise from $17,842 in pharmacies with sales under $150,000 to $51,922 in stores with sales over $1,500,000. As a percent of sales, however, proprietor's salary dropped from 14.7% to 2.5%. Employees' wages, on the other hand, went from 4.6% in stores in the lowest sales category to 13.0% in units with the greatest volume. The larger expenditure for employees' wages appeared to coincide with the longer hours pharmacies were open and the greater number of hours worked by employed pharmacists.

Miscellaneous Operating Costs—The group of expense items summarized in this statistic (Table 3, in braces) ranged from 12.3% to 9.5% of sales. Between these two extremes, miscellaneous operating costs showed no definitive trend, but control of each individual expense item must be maintained to insure acceptable profitability.

Rent—Generally, rent remains relatively constant as a percent of sales as sales volume advances, but rental dollars vary according to pharmacy size and location. In newer operations, rent may appear high as a percent of sales because full sales potential has not been reached. This subject is discussed more thoroughly on pages 42 and 43.

Chart 1 *Selected operating statistics according to sales volume*



BEST AVAILABLE COPY

Table 3 *Summary of sales volume in 1982*

Averages per Pharmacy	Total Sales under $150,000 (80 Pharmacies)		Total Sales $150,000 to $200,000 (109 Pharmacies)	
Sales				
Prescription	$ 94,618	77.9%	$124,986	70.0%
Other	26,816	22.1%	53,458	30.0%
Total	$121,434	100.0%	$178,444	100.0%
Cost of goods sold	75,552	62.2%	114,267	64.0%
Gross margin	$ 45,882	37.8%	$ 64,177	36.0%
Expenses				
Proprietor's or manager's salary	$ 17,842	14.7%	$ 20,837	11.7%
Employees' wages	5,620	4.6%	11,958	6.7%
Rent	5,204	4.3%	5,774	3.2%
Heat, light, and power	1,161	1.0%	2,026	1.1%
Accounting, legal, and other professional fees	680	0.5%	1,049	0.6%
Taxes (except on buildings, income, and profit) and licenses	1,532	1.3%	2,509	1.4%
Insurance (except on buildings)	1,175	1.0%	1,922	1.1%
Interest paid	1,841	1.5%	2,490	1.4%
Repairs	464	0.4%	777	0.4%
Delivery	966	0.8%	1,248	0.7%
Advertising	973	0.8%	1,908	1.1%
Depreciation (except on buildings)	1,827	1.5%	2,110	1.2%
Bad debts charged off	272	0.2%	263	0.2%
Telephone	858	0.7%	962	0.6%
Miscellaneous	3,170	2.6%	4,308	2.4%
		12.3%		12.2%
Total expenses	$ 43,585	35.9%	$ 60,141	33.8%
Net profit (before taxes)	$ 2,297	1.9%	$ 4,036	2.2%
Add proprietor's withdrawals	17,842	14.7%	20,837	11.7%
Total income of self-employed proprietor (before taxes on income and profits)	$ 20,139	16.6%	$ 24,873	13.9%
Value of inventory at cost and as a percent of sales				
Prescription	$ 15,061	15.9%	$ 17,370	13.9%
Other	8,746	32.6%	16,222	30.3%
Total	$ 23,807	19.6%	$ 33,592	18.8%
Annual rate of turnover of inventory	3.3 times		3.5 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	367	$257.74	317	$394.77
Other	867	30.02	1,125	47.34
Total	1,234	97.76	1,442	123.65
Sales per dollar invested in inventory				
Prescription		$6.28		$7.20
Other		3.07		3.30
Net profit per dollar invested in inventory		$0.100		$0.120
Number of prescriptions dispensed				
New	4,827	49.0%	6,096	47.5%
Renewed	5,016	51.0%	6,748	52.5%
Total	9,843	100.0%	12,844	100.0%
Prescription charge		$9.61		$9.73
Number of hours per week				
Pharmacy was open		50 hours		52 hours
Worked by proprietor		47 hours		48 hours
Worked by employed pharmacist(s)		5 hours		7 hours

*Based on averages of pharmacies that reported all data

Total Sales $200,000 to $250,000 (136 Pharmacies)	Total Sales $250,000 to $300,000 (152 Pharmacies)	Total Sales $300,000 to $350,000 (156 Pharmacies)	Total Sales $350,000 to $400,000 (145 Pharmacies)
$155,816— 69.4%	$185,197— 67.1%	$211,583— 64.9%	$234,201— 62.5%
68,751— 30.6%	90,988— 32.9%	114,476— 35.1%	140,522— 37.5%
$224,567—100.0%	$276,185—100.0%	$326,059—100.0%	$374,723—100.0%
145,017— 64.6%	178,011— 64.5%	211,528— 64.9%	247,190— 66.0%
$ 79,550— 35.4%	$ 98,174— 35.5%	$114,531— 35.1%	$127,533— 34.0%
$ 22,391— 10.0%	$ 26,418— 9.6%	$ 25,978— 8.0%	$ 28,560— 7.6%
17,334— 7.7%	24,662— 8.9%	31,647— 9.7%	37,713— 10.1%
5,874— 2.6%	7,619— 2.8%	8,430— 2.6%	8,243— 2.2%
2,529— 1.1%	2,454— 0.9%	3,195— 1.0%	3,355— 0.9%
1,246— 0.5%	1,229— 0.4%	1,705— 0.5%	1,996— 0.5%
2,912— 1.3%	3,847— 1.4%	5,093— 1.6%	5,851— 1.6%
2,441— 1.1%	3,097— 1.1%	3,634— 1.1%	3,811— 1.0%
2,233— 1.0%	2,547— 0.9%	3,948— 1.2%	3,797— 1.0%
827— 0.4%	955— 0.4%	1,100— 0.3%	1,514— 0.4%
1,459— 0.6%	1,569— 0.6%	1,771— 0.5%	1,910— 0.5%
2,217— 1.0%	2,565— 0.9%	3,461— 1.1%	4,064— 1.1%
2,864— 1.3%	2,861— 1.0%	3,435— 1.1%	3,778— 1.0%
369— 0.2%	290— 0.1%	470— 0.1%	658— 0.2%
1,146— 0.5%	1,320— 0.5%	1,498— 0.5%	1,596— 0.4%
4,973— 2.2%	6,585— 2.4%	8,512— 2.4%	9,894— 2.6%
11.2%	10.6%	11.6%	11.2%
$ 70,815— 31.5%	$ 88,018— 31.9%	$103,877— 31.9%	$116,740— 31.1%
$ 8,735— 3.9%	$ 10,156— 3.6%	$ 10,654— 3.2%	$ 10,793— 2.9%
22,391— 10.0%	26,418— 9.6%	25,978— 8.0%	28,560— 7.6%
$ 31,126— 13.9%	$ 36,574— 13.2%	$ 36,632— 11.2%	$ 39,353— 10.5%
$ 21,150— 13.6%	$ 22,371— 12.1%	$ 25,893— 12.2%	$ 25,429— 10.9%
18,461— 26.9%	22,746— 25.0%	27,643— 24.1%	35,432— 25.2%
$ 39,611— 17.6%	$ 45,117— 16.3%	$ 53,536— 16.4%	$ 60,861— 16.2%
3.8 times	4.1 times	4.1 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
341 $454.31	357 $520.37	356 $600.00	371 $631.68
1,222 56.75	1,366 66.46	1,509 74.58	1,770 79.10
1,563 143.59	1,723 160.50	1,865 174.85	2,141 174.93
$7.37	$8.28	$8.17	$9.21
3.72	4.00	4.14	3.97
$0.220	$0.230	$0.200	$0.180
7,275— 45.9%	9,445— 49.7%	9,810— 46.3%	11,123— 47.2%
8,582— 54.1%	9,545— 50.3%	11,367— 53.7%	12,428— 52.8%
15,857—100.0%	18,990—100.0%	21,177—100.0%	23,551—100.0%
$9.83	$9.75	$9.99	$9.94
54 hours	57 hours	58 hours	60 hours
48 hours	48 hours	50 hours	47 hours
13 hours	17 hours	21 hours	28 hours

(Continued)

Table 3 *Summary of sales volume in 1982 (continued)*

Averages per Pharmacy	Total Sales $400,000 to $450,000 (109 Pharmacies)		Total Sales $450,000 to $500,000 (106 Pharmacies)	
Sales				
Prescription	$257,513	60.7%	$296,240	62.7%
Other	166,492	39.3%	176,500	37.3%
Total	$424,005	100.0%	$472,740	100.0%
Cost of goods sold	274,393	64.7%	312,965	66.2%
Gross margin	$149,612	35.3%	$159,775	33.8%
Expenses				
Proprietor's or manager's salary	$ 29,404	6.9%	$ 30,401	6.4%
Employees' wages	48,888	11.5%	51,045	10.8%
Rent	9,547	2.3%	12,405	2.6%
Heat, light, and power	3,961	0.9%	4,450	0.9%
Accounting, legal, and other professional fees	2,249	0.5%	2,211	0.5%
Taxes (except on buildings, income, and profit) and licenses	6,207	1.5%	7,885	1.7%
Insurance (except on buildings)	4,683	1.1%	5,321	1.1%
Interest paid	3,739	0.9%	3,803	0.8%
Repairs	1,406	0.3%	1,716	0.4%
Delivery	2,028	0.5%	2,630	0.6%
Advertising	4,724	1.1%	5,159	1.1%
Depreciation (except on buildings)	3,644	0.9%	4,913	1.0%
Bad debts charged off	554	0.1%	663	0.1%
Telephone	1,525	0.4%	1,826	0.4%
Miscellaneous	11,881	2.8%	13,526	2.9%
		11.0%		11.5%
Total expenses	$134,440	31.7%	$147,954	31.3%
Net profit (before taxes)	$ 15,172	3.6%	$ 11,821	2.5%
Add proprietor's withdrawals	29,404	6.9%	30,401	6.4%
Total income of self-employed proprietor (before taxes on income and profits)	$ 44,576	10.5%	$ 42,222	8.9%
Value of inventory at cost and as a percent of sales				
Prescription	$ 30,509	11.8%	$ 29,559	10.0%
Other	37,687	22.6%	41,145	23.3%
Total	$ 68,196	16.1%	$ 70,704	15.0%
Annual rate of turnover of inventory	4.2 times		4.4 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	398	$641.46	381	$771.13
Other	1,801	93.65	2,066	86.40
Total	2,199	192.80	2,447	193.05
Sales per dollar invested in inventory				
Prescription		$8.44		$10.02
Other		4.42		4.29
Net profit per dollar invested in inventory		$0.220		$0.170
Number of prescriptions dispensed				
New	12,233	46.7%	14,242	48.6%
Renewed	13,984	53.3%	15,085	51.4%
Total	26,217	100.0%	29,327	100.0%
Prescription charge		$9.82		$10.10
Number of hours per week				
Pharmacy was open		62 hours		63 hours
Worked by proprietor		49 hours		49 hours
Worked by employed pharmacist(s)		31 hours		38 hours

*Based on averages of pharmacies that reported all data

Total Sales $500,000 to $600,000 (156 Pharmacies)	Total Sales $600,000 to $750,000 (128 Pharmacies)	Total Sales $750,000 to $1,000,000 (123 Pharmacies)	Total Sales $1,000,000 to $1,500,000 (95 Pharmacies)	Total Sales over $1,500,000 (33 Pharmacies)
$330,101— 60.4%	$368,679— 55.0%	$430,285— 50.3%	$ 486,200— 40.9%	$ 656,074— 31.6%
216,587— 39.6%	302,157— 45.0%	425,395— 49.7%	701,260— 59.1%	1,421,339— 68.4%
$546,688—100.0%	$670,836—100.0%	$855,680—100.0%	$1,187,460—100.0%	$2,077,413—100.0%
357,197— 65.3%	441,860— 65.9%	568,573— 66.4%	814,678— 68.6%	1,463,883— 70.5%
$189,491— 34.7%	$228,976— 34.1%	$287,107— 33.6%	$ 372,782— 31.4%	$ 613,530— 29.5%
$ 32,833— 6.0%	$ 35,032— 5.2%	$ 38,969— 4.6%	$ 45,200— 3.8%	$ 51,922— 2.5%
64,815— 11.9%	84,188— 12.5%	110,228— 12.9%	146,508— 12.3%	269,537— 13.0%
12,899— 2.4%	15,748— 2.3%	19,854— 2.3%	28,059— 2.4%	41,193— 2.0%
4,805— 0.9%	5,614— 0.8%	7,386— 0.9%	10,063— 0.8%	16,012— 0.8%
2,521— 0.5%	3,172— 0.5%	3,566— 0.4%	5,123— 0.4%	7,218— 0.4%
8,945— 1.6%	11,426— 1.7%	13,133— 1.5%	16,270— 1.4%	25,455— 1.2%
6,343— 1.2%	7,100— 1.1%	9,379— 1.1%	11,368— 1.0%	15,172— 0.7%
3,602— 0.7%	5,208— 0.8%	5,668— 0.7%	7,446— 0.6%	12,935— 0.6%
1,915— 0.3%	2,491— 0.4%	3,801— 0.4%	4,620— 0.4%	7,083— 0.3%
2,967— 0.5%	2,965— 0.5%	3,393— 0.4%	3,883— 0.3%	6,864— 0.3%
4,530— 0.8%	7,411— 1.1%	9,899— 1.2%	14,353— 1.2%	26,686— 1.3%
5,307— 1.0%	6,878— 1.0%	7,663— 0.9%	11,140— 0.9%	17,358— 0.8%
782— 0.1%	1,352— 0.2%	956— 0.1%	919— 0.1%	1,326— 0.1%
1,935— 0.4%	2,133— 0.3%	2,494— 0.3%	3,377— 0.3%	4,756— 0.2%
15,457— 2.8%	20,233— 3.0%	25,478— 3.0%	37,421— 3.2%	58,591— 2.8%
10.8%	11.4%	10.9%	10.6%	9.5%
$169,656— 31.1%	$210,951— 31.4%	$261,867— 30.7%	$ 345,750— 29.1%	$ 562,108— 27.0%
$ 19,835— 3.6%	$ 18,025— 2.7%	$ 25,240— 2.9%	$ 27,032— 2.3%	$ 51,422— 2.5%
32,833— 6.0%	35,032— 5.2%	38,969— 4.6%	45,200— 3.8%	51,922— 2.5%
$ 52,668— 9.6%	$ 53,057— 7.9%	$ 64,209— 7.5%	$ 72,232— 6.1%	$ 103,344— 5.0%
$ 33,696— 10.2%	$ 36,582— 9.9%	$ 40,317— 9.4%	$ 50,394— 10.4%	$ 62,048— 9.5%
49,232— 22.7%	62,525— 20.7%	84,020— 19.8%	122,057— 17.4%	218,057— 15.3%
$ 82,928— 15.2%	$ 99,107— 14.8%	$124,337— 14.5%	$ 172,451— 14.5%	$ 280,105— 13.5%
4.4 times	4.6 times	4.7 times	4.9 times	5.4 times
sq. ft. 422 $779.10	sq. ft. 401 $920.87	sq. ft. 482 $899.93	sq. ft. 500 $973.66	sq. ft. 593 $994.93
2,345 93.19	2,760 109.09	3,567 118.34	4,369 159.74	6,914 202.48
2,767 197.71	3,161 212.08	4,049 211.31	4,869 243.34	7,507 265.00
$9.80	$10.08	$10.67	$9.65	$10.57
4.40	4.83	5.06	5.75	6.52
$0.240	$0.180	$0.200	$0.160	$0.180
16,030— 48.6%	17,661— 48.6%	21,775— 49.7%	25,848— 51.7%	34,851— 53.0%
16,931— 51.4%	18,682— 51.4%	22,056— 50.3%	24,174— 48.3%	30,897— 47.0%
32,961—100.0%	36,343—100.0%	43,831—100.0%	50,022—100.0%	65,748—100.0%
$10.01	$10.14	$9.82	$9.72	$9.98
66 hours	67 hours	70 hours	75 hours	81 hours
48 hours	47 hours	48 hours	47 hours	47 hours
49 hours	59 hours	72 hours	83 hours	112 hours

Net Profit—Net profit, the difference between gross margin and total expenses, is not clearly related to sales volume, as Chart 1 shows. Both the higher and the lower sales-volume operations tend to report a smaller net profit as a percent of sales. A more detailed discussion of net profit can be found on page 36.

Inventory—Traditionally, merchandise inventory represents the largest investment of a typical independent community pharmacy. Because of its influence on profitability, this asset should be managed with careful and adequate attention. Management's skill in controlling inventory can make the difference between a profitable and an unprofitable pharmacy operation. Some considerations in an effective inventory control program are (1) purchases commensurate with sales, (2) allowance for seasonal variation, (3) tracking of usage patterns, and (4) monitoring for pilferage.

One method of evaluating inventory control is the "turnover ratio." Inventory turnover is determined by dividing the cost of goods sold by the average inventory cost (beginning plus ending inventory divided by two). The turnover rate is the number of times the average inventory is sold and replaced during the year. Table 3 indicates that the turnover rate tends to increase with growth in total sales even though the inventory dollar investment advances.

Pharmacy Hours—During 1982, the average LILLY DIGEST pharmacy was open 62 hours per week—unchanged from the previous year (see Table 1). In Table 3, the number of hours a store is open is directly related to sales volume. Pharmacies with less than $350,000 in sales were open fewer than 60 hours per week. Those with sales volume in the $350,000 to $750,000 range were open from 60 to 67 hours per week. Above the $750,000 level, the average hours of store operation ranged from 70 to 81. Management's decision to provide additional shopping time for patrons must be accompanied by sales productivity for the extended hours, or net profit will be compromised.

The number of hours worked by employed pharmacists was generally lower in 1982 than in the previous year, when these data are compared for pharmacies of similar sales size. One explanation for this may be the greater use of auxiliary personnel or mechanical methods to improve productivity.

When management evaluates the number of hours a pharmacy is open and the hours worked by employed pharmacists, it is suggested that the tables dealing with geographic region, location, and prescription activity also be reviewed.

The average prescription charge rose 12.6% during 1982, to $9.91—up $1.11 from the 1981 figure. This statistic has been increasing in recent years, and the trend is occasionally cited as "proof" that prescription prices are rising. Such a conclusion cannot be supported by the data, since the average prescription charge includes other variables in addition to price—especially the number of doses dispensed. Since 1967, the average prescription size has increased 44.6%; this suggests that it would be erroneous to use the average prescription charge as a measure of changes in pharmaceutical prices. A comparison of the average prescription charge index with various standard price indices appears in Table 4.

Accurate indicators of drug prices are to be found in the Consumer Price Index (CPI) and Wholesale Price Index (WPI), prepared and published by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). Corresponding measures are independently prepared by Dr. John M. Firestone, of the City University of New York. Each of Dr. Firestone's indices of retail and wholesale drug prices includes many more drugs than does either of the BLS measures. In cooperation with the Pharmaceutical Manufacturers Association, Dr. Firestone also compiles the Firestone Average Prescription Size Index. It should be noted that each of the BLS and Firestone indices takes into account changes in the total number of doses in a prescription.

Table 4 *The average prescription charge index compared with standard price indices (1967 = 100)*

Year	BLS-CPI Prescription Subsection	PMA-Firestone Retail Ethical Pharmaceuticals	BLS-WPI Ethical Pharmaceuticals Subsection	PMA-Firestone Wholesale Ethical Pharmaceuticals	LILLY DIGEST Average Prescription Charge	PMA-Firestone Average Prescription Size
1967	100.0	100.0	100.0	100.0	100.0	100.0
1968	98.3	99.2	99.0	99.1	102.7	102.6
1969	99.6	99.8	99.5	100.1	106.6	106.0
1970	101.2	101.3	99.2	101.0	110.9	109.5
1971	101.3	102.5	99.0	102.9	115.0	112.8
1972	100.9	102.9	99.9	102.4	119.7	117.7
1973	100.5	103.2	99.9	102.7	124.0	122.6
1974	102.9	105.2	104.2	109.3	131.4	127.0
1975	109.3	112.2	113.2	116.2	141.5	130.2
1976	115.2	116.9	120.3	123.8	154.6	135.1
1977	122.1	121.9	125.4	131.7	166.7	138.3
1978	132.1	128.7	131.9	138.8	179.5	138.6
1979	141.8	137.1	141.2	146.1	196.2	140.2
1980	154.8	147.0	153.7	158.9	214.5	142.1
1981	172.5	161.5	171.5	178.3	240.4	143.6
1982	192.7	175.6	190.8	197.6	270.8	144.6

Table 4 lists the CPI and the Firestone retail price indices, the WPI and the Firestone wholesale price indices, the LILLY DIGEST Average Prescription Charge Index, and the Firestone Average Prescription Size Index. The LILLY DIGEST Average Prescription Charge Index is higher than any of the other indices because it reflects, among other things, the rapid growth of the average prescription size. For this reason, it should not be used to measure drug price changes. The LILLY DIGEST Average Prescription Charge Index is simply a ratio of prescription revenue to prescriptions dispensed.

Table 5 *Averages of pharmacy operations—1973-1982 (based on all pharmacies reporting)*

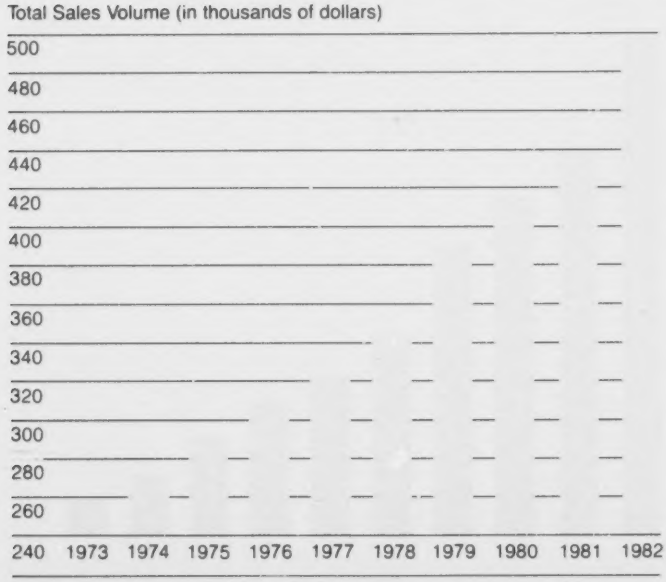
Expressed in Dollars

Year	Sales	Cost of Goods Sold	Gross Margin	Proprietor's Salary	Employees' Wages	Rent	Other Expenses	Total Expenses	Net Profit	Inventory at Cost
1973	$259,122	$165,601	$ 93,521	$21,050	$30,596	$ 6,571	$25,530	$ 83,747	$ 9,774	$44,104
1974	272,340	174,922	97,418	22,302	31,427	6,738	26,939	87,406	10,012	46,237
1975	293,785	189,624	104,161	22,469	34,471	7,248	28,972	93,160	11,001	48,781
1976	309,725	200,871	108,854	22,597	36,417	7,758	31,072	97,844	11,010	51,008
1977	322,755	209,954	112,801	22,622	38,063	8,080	33,013	101,778	11,023	53,382
1978	345,302	225,651	119,651	23,896	39,914	8,436	35,938	108,184	11,467	56,942
1979	391,681	257,334	134,347	25,346	46,759	9,783	40,844	122,732	11,615	64,066
1980	416,161	273,390	142,771	26,001	49,128	10,127	43,731	128,987	13,784	67,020
1981	439,133	288,421	150,712	27,983	50,689	10,886	47,181	136,739	13,973	68,768
1982	498,021	330,577	167,444	29,965	56,454	12,018	54,439	152,876	14,568	76,216

Ten-Year Trends in Pharmacy Operations—Chart 2 shows that the ten-year upward trend of sales volume for independent community pharmacies continued through 1982. Sales volume rose 13.4% over the previous year's figure. This growth was higher than the average annual growth rate of 9.2 over the past decade.

In Table 5, pharmacy operating data are expressed in dollars and in percentages of sales for each of the past ten years. The cost of goods sold moved upward through most of the early part of the decade, then stabilized percentage-wise; however, during 1982, it appears to have renewed its rise. A lower level of total expenses could not offset the lower gross margin, with the result that net profit slipped to a record low of 2.9% of sales. Over the decade, net profit before taxes has generally declined from 3.8% of sales in 1973, although in dollars it has grown to over $14,000. Rental expense slipped slightly to 2.4% of sales for the third time during the decade. Proprietor's salary resumed its downward trend in 1982 to 6.0% of sales—the lowest level in the ten-year period. Employees' wages also declined to the lowest percentage figure of the decade while reaching the highest dollar value over the same period. Inventory turnover continued to show improvement and stands at the highest rate in ten years—4.5 times per year.

Chart 2 *A decade of sales growth*

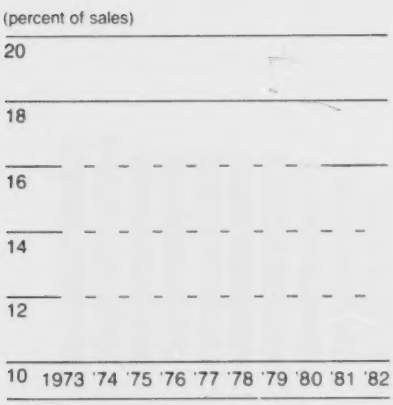


BEST AVAILABLE COPY

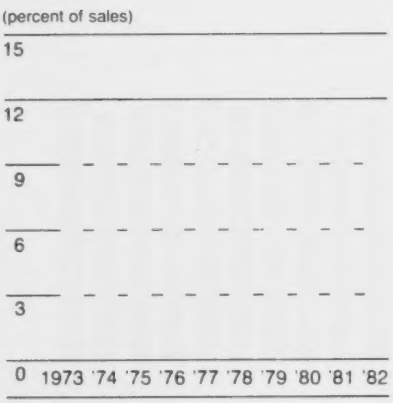
Expressed in Percentage of Sales

Year	Sales	Cost of Goods Sold	Gross Margin	Proprietor's Salary	Employees' Wages	Rent	Other Expenses	Total Expenses	Net Profit	Turnover (Times)
1973	100.0	63.9	36.1	8.1	11.8	2.5	9.9	32.3	3.8	3.9
1974	100.0	64.2	35.8	8.2	11.5	2.5	9.9	32.1	3.7	3.9
1975	100.0	64.5	35.5	7.7	11.7	2.5	9.9	31.8	3.7	4.0
1976	100.0	64.9	35.1	7.3	11.8	2.5	9.9	31.5	3.6	4.1
1977	100.0	65.1	34.9	7.0	11.8	2.5	10.2	31.5	3.4	4.0
1978	100.0	65.3	34.7	6.9	11.6	2.4	10.5	31.4	3.3	4.1
1979	100.0	65.7	34.3	6.5	11.9	2.5	10.4	31.3	3.0	4.2
1980	100.0	65.7	34.3	6.2	11.8	2.4	10.6	31.0	3.3	4.2
1981	100.0	65.7	34.3	6.4	11.5	2.5	10.7	31.1	3.2	4.3
1982	100.0	66.4	33.6	6.0	11.3	2.4	11.0	30.7	2.9	4.5

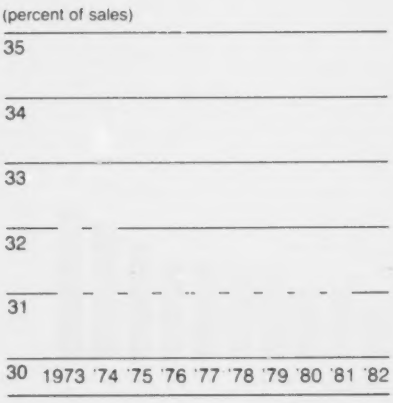
Ten-Year Trends in Pharmacy Operations



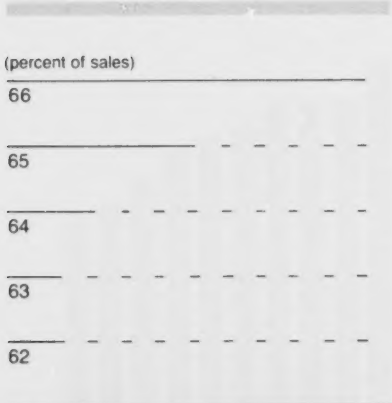
Inventory at Cost



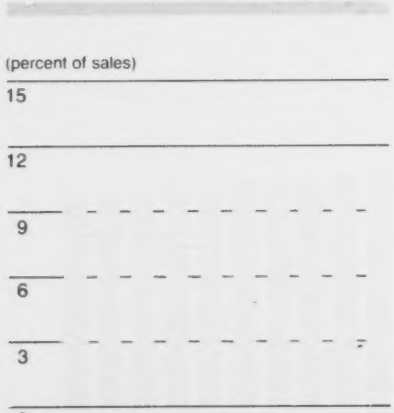
Employees' Wages



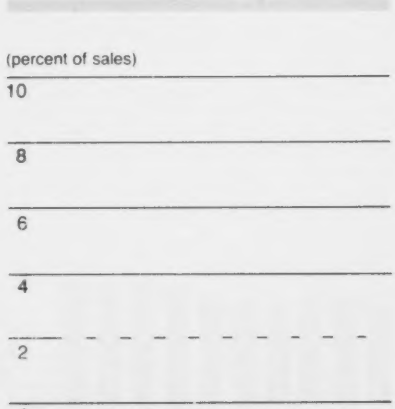
Total Expenses



Cost of Goods Sold



Other Expenses



Net Profit

Prescription Department Analysis

The data in Table 9 (see page 22) demonstrate that prescription department sales have grown steadily over the past two decades. This area's contribution to the overall operation has risen from 38.3% of sales in 1963 to 54.7% in 1982. For the fourth time in the last five years, the professional area has provided more than half of the total income in the average independent community pharmacy. This suggests that the economic welfare of the typical operation will be closely aligned with a "healthy" prescription department.

Tables 7 and 8 present operating statistics according to daily prescription volume and prescription income as a percent of total sales. Chart 3 illustrates operating statistics selected from these tables. With an increase in the number of prescriptions dispensed daily, total sales volume also advances. When prescription revenue rises as a percent of sales, there is usually an accompanying increase in gross margin to cover expenses. These are related to the additional professional personnel needed to handle greater prescription activity, which has the effect of expanding the employees' wage portion of total expenses as well as the cost of ancillary professional services. Along with advancing prescription income, there is an overall upward movement in net profit.

As the ratio of prescription income to total sales rises, inventory investment tends to decline as a percent of sales. The result is a high net profit per inventory dollar in prescription-oriented pharmacies. Such stores typically have a small floor area, which means limited merchandising space. This could explain, in part, the lower level of inventory, although better inventory control procedures may be an equally important factor.

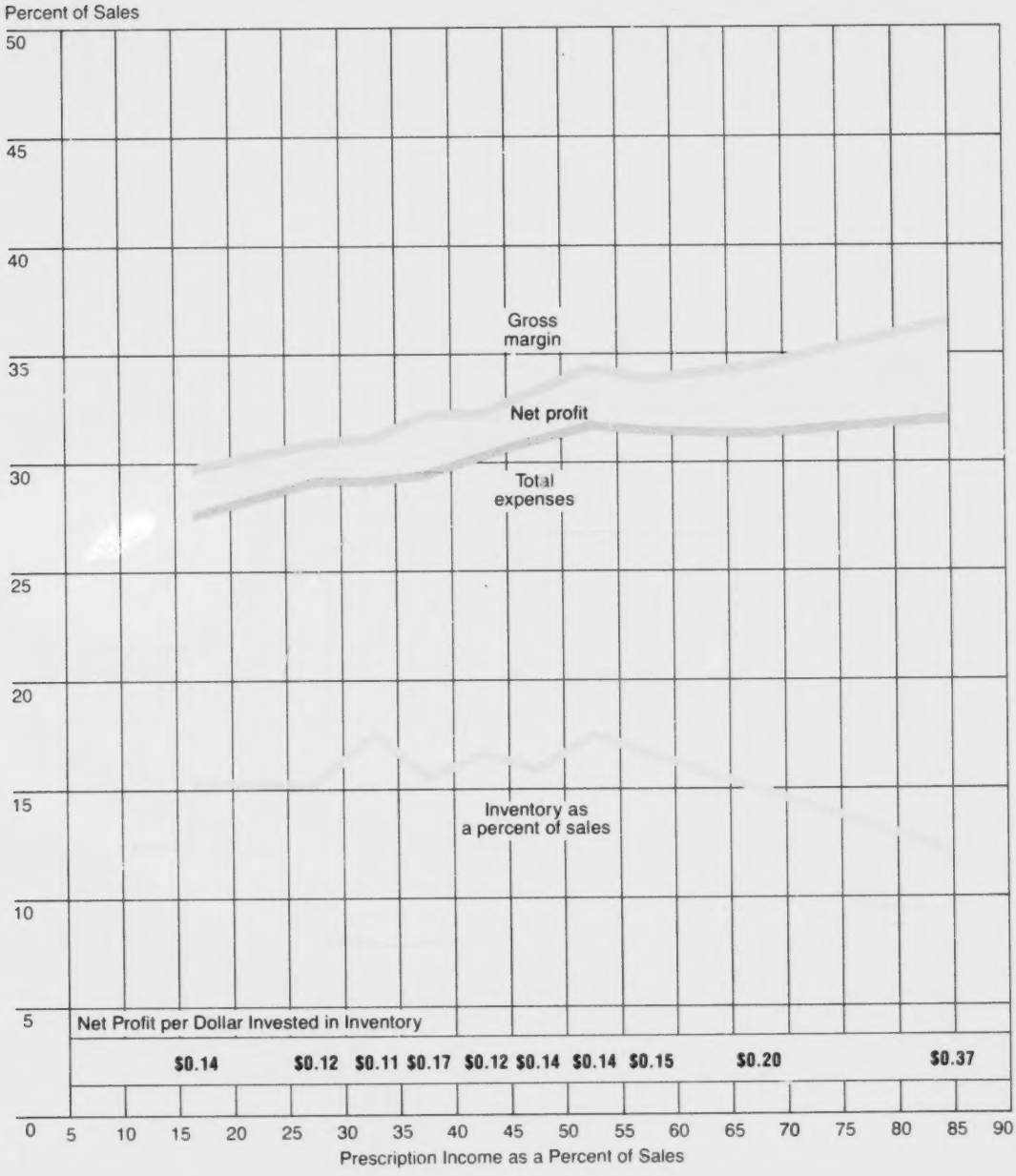
In merchandise-oriented stores that dispense few prescriptions, the ratio of prescriptions per employed pharmacist hour worked is low but may be explained by a legal requirement that a pharmacist be in attendance whenever the pharmacy is open. As total sales volume and daily prescription activity increase, the proprietor will be required to spend more time on nonprescription tasks. Overall growth in business generates a need to employ additional prescription department staff. These factors considered, it appears that pharmacists' prescription output increased as volume expanded. Assuming that 75% of the proprietor's time was devoted to the professional area of the business, it can be calculated that, on the average, 7.1 prescriptions per pharmacist hour were dispensed. This statistic is up slightly (0.1 prescription per pharmacist hour) in comparison with data reported for 1981. In stores with the greatest daily prescription activity, output is over 12 prescriptions per pharmacist hour. Pharmacy technicians and/or automated equipment are probably used to help generate such a level of productivity.

The break-even point for the 1,528 pharmacies contributing figures to the LILLY DIGEST was reached in 10.1 months, when 84.2% of total sales had been attained. Break-even data for the past ten years are in Table 6. The 1982 figure again reached the highest level of the decade and matched the longest time period and highest percent of sales previously recorded for the break-even point. At the break-even point, all fixed costs of operation for the year are covered as well as the variable costs up to that time. All pharmacy costs are considered fixed except employees' wages, advertising, bad debts, and miscellaneous expenses. Beyond the break-even point, sales are reduced only by the variable costs incurred thereafter. The remainder is net profit.

Table 6 *Average community pharmacy break-even data—1973-1982*

1973	9.8 months — 81.5% of total sales
1974	9.8 months — 82.0% of total sales
1975	9.7 months — 81.2% of total sales
1976	9.8 months — 81.8% of total sales
1977	9.9 months — 82.2% of total sales
1978	9.9 months — 82.7% of total sales
1979	10.1 months — 84.2% of total sales
1980	9.9 months — 82.2% of total sales
1981	9.9 months — 82.5% of total sales
1982	10.1 months — 84.2% of total sales

Chart 3 *Selected operating statistics according to prescription income as a percent of sales*



BEST AVAILABLE COPY

Table 7 *Summary by number of prescriptions dispensed daily in 1982*

Averages per Pharmacy	Under 25 Prescriptions Daily (83 Pharmacies)	25 to 35 Prescriptions Daily (118 Pharmacies)	35 to 50 Prescriptions Daily (261 Pharmacies)	50 to 60 Prescriptions Daily (200 Pharmacies)
Sales				
Prescription	$ 78,235— 42.0%	$113,911— 50.8%	$159,272— 52.2%	$203,215— 51.3%
Other	108,095— 58.0%	110,196— 49.2%	146,035— 47.8%	193,238— 48.7%
Total	$186,330—100.0%	$224,107—100.0%	$305,307—100.0%	$396,453—100.0%
Cost of goods sold	120,826— 64.8%	145,067— 64.7%	199,252— 65.3%	262,837— 66.3%
Gross margin	$ 65,504— 35.2%	$ 79,040— 35.3%	$106,055— 34.7%	$133,616— 33.7%
Expenses				
Proprietor's or manager's salary	$ 18,543— 10.0%	$ 22,256— 9.9%	$ 23,958— 7.8%	$ 26,829— 6.8%
Employees' wages	15,084— 8.1%	20,071— 9.0%	30,461— 10.0%	41,535— 10.5%
Rent	6,909— 3.7%	6,621— 3.0%	8,864— 2.9%	9,706— 2.4%
Heat, light, and power	2,045— 1.1%	2,723— 1.2%	3,384— 1.1%	3,932— 1.0%
Accounting, legal, and other professional fees	982— 0.5%	1,150— 0.5%	1,640— 0.5%	1,816— 0.5%
Taxes (except on buildings, income, and profit) and licenses	2,762— 1.5%	3,355— 1.5%	4,488— 1.5%	5,890— 1.5%
Insurance (except on buildings)	1,788— 1.0%	2,394— 1.1%	3,536— 1.2%	4,183— 1.0%
Interest paid	2,578— 1.4%	2,211— 1.0%	3,437— 1.1%	4,588— 1.2%
Repairs	858— 0.5%	998— 0.4%	1,141— 0.4%	1,573— 0.4%
Delivery	1,099— 0.6%	1,261— 0.6%	1,690— 0.5%	1,712— 0.4%
Advertising	1,938— 1.0%	2,485— 1.1%	3,561— 1.2%	4,637— 1.2%
Depreciation (except on buildings)	2,929— 1.6%	2,387— 1.1%	3,174— 1.0%	4,119— 1.0%
Bad debts charged off	221— 0.1%	344— 0.1%	327— 0.1%	513— 0.1%
Telephone	924— 0.5%	1,087— 0.5%	1,368— 0.4%	1,658— 0.4%
Miscellaneous	4,066— 2.2%	5,425— 2.4%	7,583— 2.5%	11,078— 2.8%
	12.0%	11.5%	11.5%	11.5%
Total expenses	$ 62,726— 33.8%	$ 74,768— 33.4%	$ 98,612— 32.2%	$123,769— 31.2%
Net profit (before taxes)	$ 2,778— 1.4%	$ 4,272— 1.9%	$ 7,443— 2.5%	$ 9,847— 2.5%
Add proprietor's withdrawals	18,543— 10.0%	22,256— 9.9%	23,958— 7.8%	26,829— 6.8%
Total income of self-employed proprietor (before taxes on income and profits)	$ 21,321— 11.4%	$ 26,528— 11.8%	$ 31,401— 10.3%	$ 36,676— 9.3%
Value of inventory at cost and as a percent of sales				
Prescription	$ 14,251— 18.2%	$ 17,332— 15.2%	$ 21,464— 13.5%	$ 25,316— 12.5%
Other	25,596— 23.7%	28,265— 25.6%	33,691— 23.1%	41,745— 21.6%
Total	$ 39,847— 21.4%	$ 45,597— 20.3%	$ 55,155— 18.1%	$ 67,061— 16.9%
Annual rate of turnover of inventory	3.1 times	3.3 times	3.7 times	4.0 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	246 $318.77	354 $321.56	330 $482.03	362 $561.59
Other	1,465 74.52	1,481 73.58	1,791 81.81	2,035 96.02
Total	1,711 115.86	1,835 126.42	2,121 150.26	2,397 177.85
Sales per dollar invested in inventory				
Prescription	$5.49	$6.57	$7.42	$8.03
Other	4.22	3.90	4.33	4.63
Net profit per dollar invested in inventory	$0.070	$0.094	$0.135	$0.147
Number of prescriptions dispensed				
New	3,686— 51.6%	5,181— 47.2%	7,269— 47.5%	9,452— 48.1%
Renewed	3,452— 48.4%	5,799— 52.8%	8,025— 52.5%	10,202— 51.9%
Total	7,138—100.0%	10,980—100.0%	15,294—100.0%	19,654—100.0%
Prescription charge	$10.96	$10.37	$10.41	$10.34
Number of hours per week				
Pharmacy was open	53 hours	55 hours	58 hours	62 hours
Worked by proprietor	47 hours	50 hours	48 hours	48 hours
Worked by employed pharmacist(s)	10 hours	14 hours	21 hours	29 hours

*Based on averages of pharmacies that reported all data

60 to 75 Prescriptions Daily (264 Pharmacies)	75 to 100 Prescriptions Daily (271 Pharmacies)	100 to 125 Prescriptions Daily (140 Pharmacies)	125 to 150 Prescriptions Daily (84 Pharmacies)	150 to 200 Prescriptions Daily (70 Pharmacies)	Over 200 Prescriptions Daily (37 Pharmacies)
$241,954— 56.9%	$312,420— 55.6%	$398,424— 56.1%	$477,702— 55.0%	$ 559,170— 55.6%	$ 829,287— 58.3%
183,096— 43.1%	249,947— 44.4%	312,378— 43.9%	390,942— 45.0%	446,369— 44.4%	592,584— 41.7%
$425,050—100.0%	$562,367—100.0%	$710,802—100.0%	$868,644—100.0%	$1,005,539—100.0%	$1,421,871—100.0%
279,254— 65.7%	373,073— 66.3%	472,989— 66.5%	587,358— 67.6%	674,284— 67.1%	968,116— 68.1%
$145,796— 34.3%	$189,294— 33.7%	$237,813— 33.5%	$281,286— 32.4%	$ 331,255— 32.9%	$ 453,755— 31.9%
$ 29,147— 6.9%	$ 33,403— 5.9%	$ 37,876— 5.3%	$ 38,154— 4.4%	$ 40,660— 4.0%	$ 51,408— 3.6%
44,640— 10.5%	64,862— 11.5%	85,117— 12.0%	102,167— 11.8%	130,381— 13.0%	199,908— 14.1%
10,421— 2.5%	13,842— 2.5%	16,085— 2.3%	18,606— 2.1%	22,201— 2.2%	23,864— 1.7%
4,181— 1.0%	4,923— 0.9%	5,455— 0.8%	6,777— 0.8%	7,494— 0.8%	8,755— 0.6%
2,138— 0.5%	2,714— 0.5%	3,107— 0.4%	3,570— 0.4%	4,135— 0.4%	5,145— 0.4%
6,439— 1.5%	8,433— 1.5%	11,384— 1.6%	11,916— 1.4%	16,013— 1.6%	19,333— 1.3%
4,423— 1.0%	5,801— 1.0%	7,288— 1.0%	8,383— 1.0%	11,214— 1.1%	13,319— 0.9%
3,341— 0.8%	4,042— 0.7%	4,476— 0.6%	5,154— 0.6%	6,416— 0.6%	10,019— 0.8%
1,526— 0.4%	2,176— 0.4%	2,654— 0.4%	3,075— 0.4%	4,122— 0.4%	4,084— 0.3%
2,124— 0.5%	2,575— 0.5%	3,314— 0.5%	2,839— 0.3%	4,637— 0.5%	6,733— 0.5%
4,576— 1.1%	6,088— 1.1%	7,551— 1.1%	10,715— 1.2%	10,170— 1.0%	12,093— 0.8%
4,202— 1.0%	5,216— 0.9%	5,798— 0.8%	9,044— 1.1%	10,162— 1.0%	13,564— 1.0%
606— 0.1%	795— 0.1%	860— 0.1%	1,113— 0.1%	1,389— 0.1%	1,474— 0.1%
1,464— 0.3%	1,890— 0.3%	2,180— 0.3%	2,808— 0.3%	3,137— 0.3%	4,364— 0.3%
11,017— 2.6%	16,086— 2.3%	22,874— 3.2%	27,186— 3.1%	32,453— 3.2%	35,618— 2.5%
10.8%	10.8%	10.8%	10.7%	11.0%	9.4%
$130,245— 30.7%	$172,846— 30.7%	$216,019— 30.4%	$251,507— 29.0%	$ 304,584— 30.2%	$ 409,681— 28.8%
$ 15,551— 3.6%	$ 16,448— 3.0%	$ 21,794— 3.1%	$ 29,779— 3.4%	$ 26,671— 2.7%	$ 44,074— 3.1%
29,147— 6.9%	33,403— 5.9%	37,876— 5.3%	38,154— 4.4%	40,660— 4.0%	51,408— 3.6%
$ 44,698— 10.5%	$ 49,851— 8.9%	$ 59,670— 8.4%	$ 67,933— 7.8%	$ 67,331— 6.7%	$ 95,482— 6.7%
$ 26,756— 11.1%	$ 32,148— 10.3%	$ 37,127— 9.3%	$ 48,193— 10.1%	$ 51,529— 9.2%	$ 74,899— 9.0%
41,706— 22.8%	51,135— 20.5%	63,811— 20.4%	70,538— 18.0%	73,109— 16.4%	100,484— 17.0%
$ 68,462— 16.1%	$ 83,283— 14.8%	$100,938— 14.2%	$118,731— 13.7%	$ 124,638— 12.4%	$ 175,383— 12.3%
4.2 times	4.6 times	4.9 times	5.1 times	5.6 times	5.7 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
384 $631.00	418 $746.86	461 $868.37	508 $944.02	544 $1,028.47	560 $1,409.00
2,009 87.45	2,324 108.50	2,416 131.44	2,943 134.94	3,302 133.87	3,140 158.34
2,393 183.88	2,742 209.71	2,877 264.00	3,451 257.86	3,846 305.04	3,700 418.22
$9.04	$9.72	$10.73	$9.91	$10.85	$11.07
4.39	4.89	4.90	5.54	6.11	5.90
$0.227	$0.197	$0.216	$0.251	$0.214	$0.251
11,456— 47.3%	15,266— 48.6%	19,814— 49.6%	23,833— 48.6%	31,220— 50.8%	45,399— 51.0%
12,762— 52.7%	16,154— 51.4%	20,097— 50.4%	25,234— 51.4%	30,240— 49.2%	43,572— 49.0%
24,218—100.0%	31,420—100.0%	39,911—100.0%	49,067—100.0%	61,460—100.0%	88,971—100.0%
$9.99	$9.94	$9.98	$9.74	$9.10	$9.32
61 hours	64 hours	67 hours	68 hours	68 hours	74 hours
48 hours	47 hours	48 hours	48 hours	46 hours	48 hours
31 hours	44 hours	55 hours	69 hours	79 hours	103 hours

Table 8 *Summary of prescription income in 1982*

Averages per Pharmacy	Prescription Income under 25% of Sales (49 Pharmacies)	Prescription Income 25% to 30% of Sales (51 Pharmacies)	Prescription Income 30% to 35% of Sales (57 Pharmacies)	Prescription Income 35% to 40% of Sales (82 Pharmacies)
Sales				
Prescription	$ 172,563— 16.4%	$225,333— 27.4%	$312,761— 33.0%	$286,712— 37.6%
Other	880,001— 83.6%	598,144— 72.6%	635,928— 67.0%	475,003— 62.4%
Total	$1,052,564—100.0%	$823,477—100.0%	$948,689—100.0%	$761,715—100.0%
Cost of goods sold	738,393— 70.2%	569,240— 69.1%	653,066— 68.8%	516,821— 67.8%
Gross margin	$ 314,171— 29.8%	$254,237— 30.9%	$295,623— 31.2%	$244,894— 32.2%
Expenses				
Proprietor's or manager's salary	$ 36,361— 3.5%	$ 34,664— 4.2%	$ 39,628— 4.2%	$ 33,754— 4.4%
Employees' wages	125,047— 11.9%	94,642— 11.5%	115,210— 12.1%	89,954— 11.8%
Rent	28,910— 2.7%	19,591— 2.4%	23,216— 2.4%	17,857— 2.3%
Heat, light, and power	9,872— 0.9%	8,182— 1.0%	9,264— 1.0%	6,976— 0.9%
Accounting, legal, and other professional fees	4,580— 0.4%	3,408— 0.4%	3,936— 0.4%	3,111— 0.4%
Taxes (except on buildings, income, and profit) and licenses	11,928— 1.1%	12,389— 1.5%	13,327— 1.4%	11,268— 1.5%
Insurance (except on buildings)	8,017— 0.8%	6,971— 0.8%	9,256— 1.0%	7,565— 1.0%
Interest paid	5,282— 0.5%	5,303— 0.6%	7,432— 0.8%	5,999— 0.8%
Repairs	3,898— 0.4%	3,737— 0.5%	3,736— 0.4%	3,228— 0.4%
Delivery	3,026— 0.3%	2,244— 0.3%	3,251— 0.3%	3,339— 0.5%
Advertising	13,494— 1.3%	10,398— 1.3%	12,383— 1.3%	8,556— 1.1%
Depreciation (except on buildings)	8,439— 0.8%	7,660— 0.9%	8,562— 0.9%	7,424— 1.0%
Bad debts charged off	774— 0.1%	777— 0.1%	819— 0.1%	393— 0.1%
Telephone	2,511— 0.2%	2,177— 0.3%	2,636— 0.3%	2,362— 0.3%
Miscellaneous	29,390— 2.8%	27,034— 3.3%	23,256— 2.5%	21,910— 2.9%
	9.6%	11.0%	10.4%	10.9%
Total expenses	$ 291,529— 27.7%	$239,177— 29.1%	$275,912— 29.1%	$223,696— 29.4%
Net profit (before taxes)	$ 22,642— 2.1%	$ 15,060— 1.8%	$ 19,711— 2.1%	$ 21,198— 2.8%
Add proprietor's withdrawals	36,361— 3.5%	34,664— 4.2%	39,628— 4.2%	33,754— 4.4%
Total income of self-employed proprietor (before taxes on income and profits)	$ 59,003— 5.6%	$ 49,724— 6.0%	$ 59,339— 6.3%	$ 54,952— 7.2%
Value of inventory at cost and as a percent of sales				
Prescription	$ 26,245— 15.2%	$ 27,204— 12.1%	$ 35,947— 11.5%	$ 31,306— 10.9%
Other	134,718— 15.3%	97,725— 16.3%	132,440— 20.8%	86,802— 18.3%
Total	$ 160,963— 15.3%	$124,929— 15.2%	$168,387— 17.7%	$118,108— 15.5%
Annual rate of turnover of inventory	4.6 times	4.7 times	4.0 times	4.5 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	389 $433.61	413 $552.01	380 $768.87	364 $765.26
Other	5,279 169.70	3,747 161.79	4,302 138.77	3,668 125.13
Total	5,668 185.70	4,160 200.55	4,682 189.93	4,032 182.92
Sales per dollar invested in inventory				
Prescription	$6.58	$8.28	$8.70	$9.16
Other	6.53	6.12	4.80	5.47
Net profit per dollar invested in inventory	$0.141	$0.121	$0.117	$0.179
Number of prescriptions dispensed				
New	10,551— 54.4%	12,570— 53.8%	16,224— 52.6%	15,715— 52.5%
Renewed	8,841— 45.6%	10,782— 46.2%	14,644— 47.4%	14,204— 47.5%
Total	19,392—100.0%	23,352—100.0%	30,868—100.0%	29,919—100.0%
Prescription charge	$8.90	$9.65	$10.13	$9.58
Number of hours per week				
Pharmacy was open	70 hours	70 hours	72 hours	71 hours
Worked by proprietor	47 hours	47 hours	49 hours	48 hours
Worked by employed pharmacist(s)	58 hours	58 hours	62 hours	57 hours

*Based on averages of pharmacies that reported all data

Prescription Income 40% to 45% of Sales (86 Pharmacies)	Prescription Income 45% to 50% of Sales (119 Pharmacies)	Prescription Income 50% to 55% of Sales (141 Pharmacies)	Prescription Income 55% to 60% of Sales (151 Pharmacies)	Prescription Income 60% to 75% of Sales (377 Pharmacies)	Prescription Income over 75% of Sales (415 Pharmacies)
$228,288— 42.7%	$262,402— 47.4%	$261,210— 52.5%	$256,221— 57.7%	$280,531— 67.4%	$296,380— 84.9%
306,397— 57.3%	291,386— 52.6%	236,068— 47.5%	187,939— 42.3%	135,636— 32.6%	52,786— 15.1%
$534,685—100.0%	$553,788—100.0%	$497,278—100.0%	$444,160—100.0%	$416,167—100.0%	$349,166—100.0%
361,889— 67.7%	369,294— 66.7%	326,499— 65.7%	293,420— 66.1%	273,134— 65.6%	221,498— 63.4%
$172,796— 32.3%	$184,494— 33.3%	$170,779— 34.3%	$150,740— 33.9%	$143,033— 34.4%	$127,668— 36.6%
$ 30,112— 5.6%	$ 29,764— 5.4%	$ 27,967— 5.6%	$ 28,764— 6.5%	$ 28,108— 6.8%	$ 29,388— 8.4%
60,441— 11.3%	67,338— 12.2%	60,154— 12.1%	51,657— 11.6%	46,614— 11.2%	34,454— 9.9%
12,174— 2.3%	13,527— 2.4%	12,120— 2.4%	9,205— 2.1%	9,547— 2.3%	9,170— 2.6%
5,315— 1.0%	5,415— 1.0%	5,325— 1.1%	4,577— 1.0%	3,559— 0.8%	2,154— 0.6%
2,690— 0.5%	2,377— 0.4%	2,093— 0.4%	1,827— 0.4%	1,979— 0.5%	1,961— 0.6%
8,024— 1.5%	9,349— 1.7%	7,888— 1.6%	6,950— 1.6%	6,300— 1.5%	5,185— 1.4%
5,132— 1.0%	6,100— 1.1%	5,625— 1.1%	5,006— 1.1%	4,685— 1.1%	3,744— 1.1%
6,077— 1.1%	4,565— 0.8%	4,442— 0.9%	4,455— 1.0%	3,401— 0.8%	2,541— 0.7%
1,813— 0.3%	2,027— 0.4%	1,928— 0.4%	2,003— 0.4%	1,543— 0.4%	1,087— 0.3%
2,056— 0.4%	2,001— 0.4%	2,460— 0.5%	1,912— 0.4%	2,177— 0.5%	2,325— 0.7%
6,908— 1.3%	6,544— 1.2%	6,354— 1.3%	4,940— 1.1%	4,057— 1.0%	2,752— 0.8%
5,381— 1.0%	4,925— 0.9%	4,982— 1.0%	4,825— 1.1%	4,099— 1.0%	3,754— 1.1%
392— 0.1%	575— 0.1%	615— 0.1%	715— 0.2%	695— 0.2%	657— 0.2%
1,428— 0.3%	1,839— 0.3%	1,895— 0.4%	1,709— 0.4%	1,637— 0.4%	1,572— 0.4%
14,188— 2.6%	15,366— 2.7%	14,111— 2.8%	11,102— 2.5%	11,712— 2.8%	10,709— 3.1%
11.1%	11.0%	11.6%	11.2%	11.0%	11.0%
$162,131— 30.3%	$171,712— 31.0%	$157,959— 31.7%	$139,647— 31.4%	$130,113— 31.3%	$111,453— 31.9%
$ 10,665— 2.0%	$ 12,782— 2.3%	$ 12,820— 2.6%	$ 11,093— 2.5%	$ 12,920— 3.1%	$ 16,215— 4.7%
30,112— 5.6%	29,764— 5.4%	27,967— 5.6%	28,764— 6.5%	28,108— 6.8%	29,388— 8.4%
$ 40,777— 7.6%	$ 42,546— 7.7%	$ 40,787— 8.2%	$ 39,857— 9.0%	$ 41,028— 9.9%	$ 45,603— 13.1%
$ 26,995— 11.8%	$ 29,119— 11.1%	$ 29,217— 11.2%	$ 27,714— 10.8%	$ 29,516— 10.5%	$ 30,808— 10.4%
62,105— 20.3%	58,921— 20.2%	57,628— 24.4%	46,369— 24.7%	32,869— 24.2%	12,171— 23.1%
$ 89,100— 16.7%	$ 88,040— 15.9%	$ 86,845— 17.5%	$ 74,083— 16.7%	$ 62,385— 15.0%	$ 42,979— 12.3%
4.1 times	4.3 times	3.9 times	4.1 times	4.5 times	5.4 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
338 $690.32	378 $692.39	379 $675.00	364 $702.68	387 $716.18	434 $682.14
2,575 121.81	2,672 109.05	2,533 91.32	2,363 79.55	1,723 77.81	875 59.69
2,913 187.87	3,050 181.41	2,912 167.32	2,727 162.78	2,110 194.99	1,309 266.01
$8.46	$9.01	$8.94	$9.25	$9.50	$9.62
4.93	4.95	4.10	4.05	4.13	4.34
$0.120	$0.145	$0.148	$0.150	$0.207	$0.377
11,166— 49.5%	12,769— 47.7%	12,600— 47.4%	11,706— 45.5%	13,705— 47.8%	14,325— 49.1%
11,379— 50.5%	13,977— 52.3%	13,973— 52.6%	14,039— 54.5%	14,947— 52.2%	14,856— 50.9%
22,545—100.0%	26,746—100.0%	26,573—100.0%	25,745—100.0%	28,652—100.0%	29,181—100.0%
$10.13	$9.81	$9.83	$9.95	$9.79	$10.16
69 hours	67 hours	65 hours	62 hours	60 hours	55 hours
49 hours	50 hours	49 hours	49 hours	48 hours	46 hours
38 hours	42 hours	42 hours	35 hours	32 hours	28 hours

Table 9 *Prescription trends in LILLY DIGEST pharmacies*

Year	Averages per Pharmacy: Prescription Sales	Percentage of Prescription Sales to Total Sales	Number of Prescriptions	Percent Renewals	Prescription Charge	Prescription Inventory	Prescription Sales per Dollar of Prescription Inventory
1963	$ 58,688	38.3%	17,320	52.0%	$3.39	$ 9,270	$6.33
1964	63,157	39.0%	18,532	53.7%	3.41	9,495	6.65
1965	68,587	40.9%	19,708	53.7%	3.48	9,928	6.91
1966	71,586	41.0%	19,962	53.6%	3.59	10,235	6.99
1967	78,789	41.8%	21,544	54.5%	3.66	10,881	7.24
1968	85,953	43.2%	22,848	54.8%	3.76	11,478	7.49
1969	93,299	43.7%	23,951	54.5%	3.90	12,220	7.63
1970	98,445	44.5%	24,243	54.8%	4.06	12,592	7.82
1971	105,875	44.7%	25,122	54.9%	4.21	13,268	7.98
1972	112,777	46.6%	25,743	54.1%	4.38	13,969	8.07
1973	122,615	47.3%	27,019	54.5%	4.54	14,827	8.27
1974	130,384	47.9%	27,089	53.7%	4.81	15,925	8.19
1975	142,915	48.6%	27,572	53.0%	5.18	17,342	8.24
1976	153,735	49.6%	27,163	52.7%	5.66	18,554	8.29
1977	162,631	50.4%	26,649	51.5%	6.10	19,471	8.35
1978	176,705	51.2%	26,913	51.6%	6.57	21,133	8.36
1979	195,159	49.8%	27,187	50.3%	7.18	22,941	8.51
1980	212,949	51.2%	27,126	50.4%	7.85	24,639	8.64
1981	239,561	54.6%	27,225	51.4%	8.80	26,854	8.92
1982	272,527	54.7%	27,501	51.2%	9.91	29,642	9.19

Twenty Years of Prescription Department Data—Prescription revenue has increased as a percent of sales in 19 of the past 20 years and during 1982 attained a new record of 54.7% of sales. Renewed prescriptions again took a lower share of all prescriptions. This downtrend may be caused by expanding government and private sector prescription programs and/or more stringent laws governing renewal prescriptions. As stated earlier, the professional area has become the major revenue-generating center in the pharmacy. The growth of prescription activity over the 20-year period (Table 9) indicates a solid uptrend and reemphasizes the important role of the prescription department in the financial picture of community pharmacy operations.

Prescription inventories have grown dollarwise since 1963, and the 10.4% rise in this statistic during 1982 was the largest over the period; it suggests that inventories may have expanded to accommodate greater prescription activity. Price increases also affect inventory value. Certainly, prescription sales per dollar of prescription inventory for the 20-year period have tended to move steadily in a general upward trend in sales productivity per inventory dollar. This reflects a faster growth in prescription sales in relation to prescription inventory. It has been said that prescription department inventory is more productive than nonprescription stock. The premise is supported by the fact that, during 1982, each dollar of prescription inventory generated $9.19 in prescription sales, whereas the return on nonprescription inventory was only $4.84.

This section contains 31 categories of operating averages arranged according to both annual sales volume and daily prescription activity (Tables 10 through 15). Because of the increasing sales volumes of pharmacies reporting to the LILLY DIGEST in 1982, a new category has been added to provide a comparison with operations attaining more than $1,500,000 in total sales. A generally accepted accounting format is used to display the operating data so that comparisons can be made with any pharmacy's figures. Page 55 contains a work sheet that may be useful for this purpose.

Averages per Pharmacy	Total Sales Under $150,000 Under 25 Prescriptions Daily (35 Pharmacies)	
Sales		
Prescription	$ 75,105—	69.0%
Other	33,819—	31.0%
Total	$108,924—	100.0%
Cost of goods sold	68,027—	62.5%
Gross margin	$ 40,897—	37.5%
Expenses		
Proprietor's or manager's salary	$ 15,943—	14.6%
Employees' wages	4,485—	4.1%
Rent	5,287—	4.9%
Heat, light, and power	1,068—	1.0%
Accounting, legal, and other professional fees	611—	0.6%
Taxes (except on buildings, income, and profit) and licenses	1,461—	1.3%
Insurance (except on buildings)	1,110—	1.0%
Interest paid	1,532—	1.4%
Repairs	435—	0.4%
Delivery	1,013—	0.9%
Advertising	756—	0.7%
Depreciation (except on buildings)	1,928—	1.8%
Bad debts charged off	245—	0.2%
Telephone	897—	0.8%
Miscellaneous	2,184—	2.0%
		12.1%
Total expenses	$ 38,955—	35.7%
Net profit (before taxes)	$ 1,942—	1.8%
Add proprietor's withdrawals	15,943—	14.6%
Total income of self-employed proprietor (before taxes on income and profits)	$ 17,885—	16.4%
Value of inventory at cost and as a percent of sales		
Prescription	$ 13,173—	17.5%
Other	10,207—	30.2%
Total	$ 23,380—	21.5%
Annual rate of turnover of inventory	3.0 times	
Size of area and sales per square foot*	sq. ft.	
Prescription	255	$296.18
Other	750	42.86
Total	1,005	107.04
Sales per dollar invested in inventory		
Prescription	$5.70	
Other	3.31	
Net profit per dollar invested in inventory	$0.080	
Number of prescriptions dispensed		
New	3,596—	51.6%
Renewed	3,374—	48.4%
Total	6,970—	100.0%
Prescription charge	$10.78	
Number of hours per week		
Pharmacy was open	49 hours	
Worked by proprietor	44 hours	
Worked by employed pharmacist(s)	5 hours	

*Based on averages of pharmacies that reported all data

Table 10

Sales under $200,000

Total Sales	$150,000-$200,000	Over 25 Prescriptions Daily (45 Pharmacies)	(109 Pharmacies)
		$109,795— 83.7%	$124,986— 70.0%
		21,370— 16.3%	53,458— 30.0%
		$131,165—100.0%	$178,444—100.0%
		81,405— 62.1%	114,267— 64.0%
		$ 49,760— 37.9%	$ 64,177— 36.0%
		$ 19,319— 14.7%	$ 20,837— 11.7%
		6,503— 5.0%	11,958— 6.7%
		5,140— 3.9%	5,774— 3.2%
		1,233— 0.9%	2,026— 1.1%
		734— 0.6%	1,049— 0.6%
		1,587— 1.2%	2,509— 1.4%
		1,225— 0.9%	1,922— 1.1%
		2,082— 1.6%	2,490— 1.4%
		487— 0.4%	777— 0.4%
		929— 0.7%	1,248— 0.7%
		1,142— 0.9%	1,908— 1.1%
		1,747— 1.3%	2,110— 1.2%
		292— 0.2%	263— 0.2%
		827— 0.6%	962— 0.6%
		3,940— 3.0%	4,308— 2.4%
		12.3%	12.2%
		$ 47,187— 35.9%	$ 60,141— 33.8%
		$ 2,573— 2.0%	$ 4,036— 2.2%
		19,319— 14.7%	20,837— 11.7%
		$ 21,892— 16.7%	$ 24,873— 13.9%
		$ 16,529— 15.1%	$ 17,370— 13.9%
		7,609— 35.6%	16,222— 30.3%
		$ 24,138— 18.4%	$ 33,592— 18.8%
		3.5 times	3.5 times
		sq. ft.	sq. ft.
		453 $241.17	317 $394.77
		956 22.29	1,125 47.34
		1,409 92.68	1,442 123.65
		$6.64	$7.20
		2.81	3.30
		$0.110	$0.120
		5,783— 47.9%	6,096— 47.5%
		6,294— 52.1%	6,748— 52.5%
		12,077—100.0%	12,844—100.0%
		$9.09	$9.73
		51 hours	52 hours
		48 hours	48 hours
		6 hours	7 hours

Averages per Pharmacy	Total Sales $200,000-$250,000 Under 50 Prescriptions Daily (87 Pharmacies)	
Sales		
Prescription	$136,651	61.7%
Other	84,830	38.3%
Total	$221,481	100.0%
Cost of goods sold	142,346	64.3%
Gross margin	$ 79,135	35.7%
Expenses		
Proprietor's or manager's salary	$ 21,822	9.9%
Employees' wages	18,896	8.5%
Rent	6,314	2.9%
Heat, light, and power	2,793	1.3%
Accounting, legal, and other professional fees	1,244	0.6%
Taxes (except on buildings, income, and profit) and licenses	2,996	1.3%
Insurance (except on buildings)	2,482	1.1%
Interest paid	2,167	1.0%
Repairs	830	0.4%
Delivery	1,464	0.7%
Advertising	2,303	1.0%
Depreciation (except on buildings)	2,790	1.2%
Bad debts charged off	335	0.1%
Telephone	1,047	0.5%
Miscellaneous	4,756	2.1%
		11.3%
Total expenses	$ 72,239	32.6%
Net profit (before taxes)	$ 6,896	3.1%
Add proprietor's withdrawals	21,822	9.9%
Total income of self-employed proprietor (before taxes on income and profits)	$ 28,718	13.0%
Value of inventory at cost and as a percent of sales		
Prescription	$ 20,069	14.7%
Other	23,113	27.2%
Total	$ 43,182	19.5%
Annual rate of turnover of inventory		3.4 times
Size of area and sales per square foot*	sq. ft.	
Prescription	319	$428.51
Other	1,406	60.33
Total	1,725	128.33
Sales per dollar invested in inventory		
Prescription		$6.81
Other		3.67
Net profit per dollar invested in inventory		$0.160
Number of prescriptions dispensed		
New	5,909	45.7%
Renewed	7,030	54.3%
Total	12,939	100.0%
Prescription charge		$10.56
Number of hours per week		
Pharmacy was open		55 hours
Worked by proprietor		49 hours
Worked by employed pharmacist(s)		13 hours

*Based on averages of pharmacies that reported all data

Find and Compare

Table 11

Sales $200,000-$300,000

Total Sales

$250,000-$300,000

Over 50 Prescriptions Daily (49 Pharmacies)	Under 50 Prescriptions Daily (66 Pharmacies)	Over 50 Prescriptions Daily (86 Pharmacies)
$189,842— 82.5%	$144,566— 52.7%	$216,379— 78.0%
40,202— 17.5%	129,974— 47.3%	61,068— 22.0%
$230,044—100.0%	$274,540—100.0%	$277,447—100.0%
149,761— 65.1%	177,547— 64.7%	178,367— 64.3%
$ 80,283— 34.9%	$ 96,993— 35.3%	$ 99,080— 35.7%
$ 23,401— 10.2%	$ 25,397— 9.3%	$ 27,202— 9.8%
14,561— 6.3%	26,043— 9.5%	23,603— 8.5%
5,095— 2.2%	7,196— 2.6%	7,944— 2.9%
2,060— 0.9%	2,984— 1.1%	2,047— 0.7%
1,250— 0.6%	1,221— 0.5%	1,235— 0.4%
2,761— 1.2%	3,904— 1.4%	3,803— 1.4%
2,367— 1.0%	3,683— 1.3%	2,647— 1.0%
2,349— 1.0%	3,117— 1.1%	2,109— 0.7%
821— 0.4%	1,120— 0.4%	829— 0.3%
1,449— 0.6%	1,581— 0.6%	1,560— 0.6%
2,065— 0.9%	2,975— 1.1%	2,250— 0.8%
2,994— 1.3%	3,338— 1.2%	2,496— 0.9%
429— 0.2%	337— 0.1%	255— 0.1%
1,322— 0.6%	1,321— 0.5%	1,320— 0.5%
5,364— 2.3%	6,078— 2.2%	6,971— 2.5%
11.0%	11.5%	9.9%
$ 68,288— 29.7%	$ 90,295— 32.9%	$ 86,271— 31.1%
$ 11,995— 5.2%	$ 6,698— 2.4%	$ 10,809— 4.6%
23,401— 10.2%	25,397— 9.3%	27,202— 9.8%
$ 35,396— 15.4%	$ 32,095— 11.7%	$ 40,011— 14.4%
$ 23,069— 12.2%	$ 19,504— 13.5%	$ 24,572— 11.4%
10,203— 25.4%	35,820— 27.6%	12,713— 20.8%
$ 33,272— 14.5%	$ 55,324— 20.2%	$ 37,285— 13.4%
4.7 times	3.3 times	4.9 times
sq. ft.	sq. ft.	sq. ft.
383 $493.53	301 $476.50	400 $545.80
883 46.36	1,866 70.76	981 60.17
1,266 181.55	2,167 127.19	1,381 200.66
$8.23	$7.41	$8.81
3.94	3.63	4.80
$0.360	$0.120	$0.340
9,701— 46.1%	6,732— 49.3%	11,529— 50.0%
11,337— 53.9%	6,931— 50.7%	11,550— 50.0%
21,038—100.0%	13,663—100.0%	23,079—100.0%
$9.02	$10.58	$9.38
53 hours	59 hours	56 hours
48 hours	49 hours	47 hours
12 hours	17 hours	17 hours

Averages per Pharmacy	Total Sales $300,000-$350,000 Under 50 Prescriptions Daily (49 Pharmacies)		Over 50 Prescriptions Daily (107 Pharmacies)	
Sales				
Prescription	$157,429	49.0%	$235,383	72.0%
Other	163,861	51.0%	91,860	28.0%
Total	$321,290	100.0%	$328,243	100.0%
Cost of goods sold	208,472	64.9%	212,927	64.9%
Gross margin	$112,818	35.1%	$115,316	35.1%
Expenses				
Proprietor's or manager's salary	$ 24,585	7.7%	$ 26,616	8.1%
Employees' wages	32,505	10.1%	31,253	9.5%
Rent	9,151	2.8%	8,100	2.5%
Heat, light, and power	3,550	1.1%	3,033	0.9%
Accounting, legal, and other professional fees	1,885	0.6%	1,623	0.5%
Taxes (except on buildings, income, and profit) and licenses	5,604	1.7%	4,859	1.5%
Insurance (except on buildings)	3,824	1.2%	3,546	1.1%
Interest paid	4,387	1.4%	3,747	1.1%
Repairs	1,309	0.4%	1,004	0.3%
Delivery	1,573	0.5%	1,861	0.6%
Advertising	3,590	1.1%	3,401	1.0%
Depreciation (except on buildings)	3,319	1.0%	3,489	1.1%
Bad debts charged off	218	0.1%	585	0.2%
Telephone	1,595	0.5%	1,453	0.4%
Miscellaneous	7,632	2.4%	8,918	2.7%
		12.0%		11.4%
Total expenses	$104,727	32.6%	$103,488	31.5%
Net profit (before taxes)	$ 8,091	2.5%	$ 11,828	3.6%
Add proprietor's withdrawals	24,585	7.7%	26,616	8.1%
Total income of self-employed proprietor (before taxes on income and profits)	$ 32,676	10.2%	$ 38,444	11.7%
Value of inventory at cost and as a percent of sales				
Prescription	$ 22,543	14.3%	$ 27,427	11.6%
Other	38,195	23.3%	22,811	24.8%
Total	$ 60,738	18.9%	$ 50,238	15.3%
Annual rate of turnover of inventory	3.5 times		4.4 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	287	$557.09	386	$613.98
Other	1,865	86.28	1,353	67.50
Total	2,152	149.11	1,739	188.81
Sales per dollar invested in inventory				
Prescription		$6.98		$8.62
Other		4.29		4.03
Net profit per dollar invested in inventory		$0.130		$0.240
Number of prescriptions dispensed				
New	7,009	49.4%	11,092	45.5%
Renewed	7,188	50.6%	13,281	54.5%
Total	14,197	100.0%	24,373	100.0%
Prescription charge		$11.09		$9.70
Number of hours per week				
Pharmacy was open		60 hours		58 hours
Worked by proprietor		51 hours		49 hours
Worked by employed pharmacist(s)		22 hours		21 hours

*Based on averages of pharmacies that reported all data

Find and Compare

Table 12

Sales $300,000-$400,000

Total Sales

$350,000-$400,000

Under 50 Prescriptions Daily (31 Pharmacies)	50 to 75 Prescriptions Daily (75 Pharmacies)	Over 75 Prescriptions Daily (39 Pharmacies)
$155,777— 42.1%	$234,982— 62.6%	$295,038— 78.2%
214,607— 57.9%	140,326— 37.4%	82,010— 21.8%
$370,384—100.0%	$375,308—100.0%	$377,048—100.0%
254,409— 68.7%	246,602— 65.7%	242,581— 64.3%
$115,975— 31.3%	$128,706— 34.3%	$134,467— 35.7%
$ 22,812— 6.2%	$ 27,871— 7.4%	$ 34,453— 9.1%
36,926— 10.0%	39,704— 10.6%	34,508— 9.2%
10,237— 2.8%	7,572— 2.0%	7,948— 2.1%
4,418— 1.2%	3,620— 1.0%	2,002— 0.5%
1,736— 0.4%	1,786— 0.5%	2,605— 0.7%
6,607— 1.8%	5,734— 1.5%	5,475— 1.5%
3,919— 1.0%	3,909— 1.0%	3,537— 0.9%
6,328— 1.7%	3,182— 0.9%	2,970— 0.8%
1,525— 0.4%	1,514— 0.4%	1,503— 0.4%
1,931— 0.5%	1,824— 0.5%	2,060— 0.5%
5,190— 1.4%	4,153— 1.1%	2,997— 0.8%
3,850— 1.0%	3,585— 1.0%	4,093— 1.1%
159— 0.1%	866— 0.2%	654— 0.2%
1,569— 0.4%	1,602— 0.4%	1,608— 0.4%
7,231— 2.0%	10,474— 2.8%	10,895— 2.9%
11.9%	11.3%	10.7%
$114,438— 30.9%	$117,396— 31.3%	$117,308— 31.1%
$ 1,537— 0.4%	$ 11,310— 3.0%	$ 17,159— 4.6%
22,812— 6.2%	27,871— 7.4%	34,453— 9.1%
$ 24,349— 6.6%	$ 39,181— 10.4%	$ 51,612— 13.7%
$ 22,578— 14.5%	$ 24,966— 10.6%	$ 28,584— 9.7%
57,126— 26.6%	34,406— 24.5%	20,161— 24.6%
$ 79,704— 21.5%	$ 59,372— 15.8%	$ 48,745— 12.9%
3.3 times	4.3 times	5.1 times
sq. ft.	sq. ft.	sq. ft.
314 $487.10	350 $674.07	456 $645.20
2,463 87.87	1,854 75.33	1,076 76.26
2,777 133.00	2,204 170.29	1,532 245.76
$6.90	$9.41	$10.32
3.76	4.08	4.07
$0.020	$0.190	$0.350
6,712— 46.1%	10,615— 46.7%	15,604— 48.3%
7,840— 53.9%	12,107— 53.3%	16,694— 51.7%
14,552—100.0%	22,722—100.0%	32,298—100.0%
$10.70	$10.34	$9.13
66 hours	59 hours	58 hours
49 hours	47 hours	46 hours
31 hours	28 hours	25 hours

Averages per Pharmacy	Total Sales $400,000-$450,000 Under 75 Prescriptions Daily (61 Pharmacies)	Over 75 Prescriptions Daily (48 Pharmacies)
Sales		
Prescription	$215,432— 51.1%	$310,990— 72.8%
Other	206,051— 48.9%	116,219— 27.2%
Total	$421,483—100.0%	$427,209—100.0%
Cost of goods sold	275,220— 65.3%	273,342— 64.0%
Gross margin	$146,263— 34.7%	$153,867— 36.0%
Expenses		
Proprietor's or manager's salary	$ 27,168— 6.4%	$ 32,245— 7.5%
Employees' wages	50,346— 11.9%	47,034— 11.0%
Rent	10,265— 2.4%	8,635— 2.0%
Heat, light, and power	4,768— 1.1%	2,935— 0.7%
Accounting, legal, and other professional fees	2,457— 0.6%	1,985— 0.5%
Taxes (except on buildings, income, and profit) and licenses	6,233— 1.5%	6,174— 1.4%
Insurance (except on buildings)	4,901— 1.2%	4,406— 1.0%
Interest paid	4,495— 1.1%	2,778— 0.7%
Repairs	1,439— 0.4%	1,363— 0.3%
Delivery	2,214— 0.5%	1,791— 0.4%
Advertising	5,349— 1.3%	3,929— 0.9%
Depreciation (except on buildings)	3,592— 0.9%	3,710— 0.9%
Bad debts charged off	559— 0.1%	547— 0.1%
Telephone	1,421— 0.3%	1,658— 0.4%
Miscellaneous	10,518— 2.5%	13,617— 3.2%
	11.5%	10.5%
Total expenses	$135,725— 32.2%	$132,807— 31.0%
Net profit (before taxes)	$ 10,538— 2.5%	$ 21,060— 5.0%
Add proprietor's withdrawals	27,168— 6.4%	32,245— 7.5%
Total income of self-employed proprietor (before taxes on income and profits)	$ 37,706— 8.9%	$ 53,305— 12.5%
Value of inventory at cost and as a percent of sales		
Prescription	$ 26,898— 12.5%	$ 35,099— 11.3%
Other	50,108— 24.3%	21,900— 18.8%
Total	$ 77,006— 18.3%	$ 56,999— 13.3%
Annual rate of turnover of inventory	3.7 times	5.0 times
Size of area and sales per square foot*	sq. ft.	sq. ft.
Prescription	422 $510.39	366 $844.19
Other	2,256 91.25	1,192 99.73
Total	2,678 157.32	1,558 274.55
Sales per dollar invested in inventory		
Prescription	$8.01	$8.86
Other	4.11	5.31
Net profit per dollar invested in inventory	$0.140	$0.370
Number of prescriptions dispensed		
New	9,792— 46.1%	15,335— 47.2%
Renewed	11,471— 53.9%	17,177— 52.8%
Total	21,263—100.0%	32,512—100.0%
Prescription charge	$10.13	$9.57
Number of hours per week		
Pharmacy was open	65 hours	59 hours
Worked by proprietor	50 hours	47 hours
Worked by employed pharmacist(s)	33 hours	28 hours

*Based on averages of pharmacies that reported all data

Find and Compare

Table 13

Sales $400,000-$500,000

Total Sales

$450,000-$500,000

Under 75 Prescriptions Daily (38 Pharmacies)	75 to 100 Prescriptions Daily (42 Pharmacies)	Over 100 Prescriptions Daily (26 Pharmacies)
$213,986– 45.5%	$311,719– 65.6%	$391,453– 82.9%
255,914– 54.5%	163,762– 34.4%	81,012– 17.1%
$469,900–100.0%	$475,481–100.0%	$472,465–100.0%
310,365– 66.0%	314,520– 66.1%	314,252– 66.5%
$159,535– 34.0%	$160,961– 33.9%	$158,213– 33.5%
$ 27,950– 5.9%	$ 31,213– 6.6%	$ 32,670– 6.9%
51,871– 11.0%	54,262– 11.4%	44,642– 9.4%
12,776– 2.7%	12,578– 2.6%	11,584– 2.5%
5,127– 1.1%	4,505– 0.9%	3,370– 0.7%
2,265– 0.5%	2,180– 0.5%	2,183– 0.5%
7,550– 1.6%	7,802– 1.7%	8,511– 1.8%
5,591– 1.2%	5,377– 1.1%	4,836– 1.0%
4,216– 0.9%	3,882– 0.8%	3,072– 0.6%
1,664– 0.4%	1,956– 0.4%	1,403– 0.3%
2,154– 0.5%	3,273– 0.7%	2,286– 0.5%
6,385– 1.4%	4,593– 1.0%	4,280– 0.9%
6,039– 1.3%	4,438– 0.9%	4,033– 0.8%
447– 0.1%	815– 0.2%	732– 0.2%
1,523– 0.3%	2,035– 0.4%	1,932– 0.4%
14,822– 3.1%	12,072– 2.6%	13,985– 3.0%
12.4%	11.2%	10.7%
$150,380– 32.0%	$150,981– 31.8%	$139,519– 29.5%
$ 9,155– 2.0%	$ 9,980– 2.1%	$ 18,694– 4.0%
27,950– 5.9%	31,213– 6.6%	32,670– 6.9%
$ 37,105– 7.9%	$ 41,193– 8.7%	$ 51,364– 10.9%
$ 24,473– 11.4%	$ 31,937– 10.2%	$ 33,149– 8.5%
56,843– 22.2%	41,718– 25.5%	17,277– 21.3%
$ 81,316– 17.3%	$ 73,655– 15.5%	$ 50,426– 10.7%
3.7 times	4.3 times	6.4 times
sq. ft. 313 $683.55	sq. ft. 398 $778.18	sq. ft. 457 $852.45
2,706 94.58	2,014 81.93	1,176 70.08
3,019 155.65	2,412 196.81	1,633 289.22
$8.74	$9.76	$11.81
4.50	3.93	4.69
$0.110	$0.140	$0.370
9,994– 51.0%	14,679– 47.8%	19,744– 47.7%
9,587– 49.0%	16,000– 52.2%	21,644– 52.3%
19,581–100.0%	30,679–100.0%	41,388–100.0%
$10.93	$10.16	$9.46
65 hours	63 hours	60 hours
49 hours	50 hours	49 hours
38 hours	40 hours	35 hours

Averages per Pharmacy	Total Sales $500,000-$600,000 Under 75 Prescriptions Daily (58 Pharmacies)		75 to 100 Prescriptions Daily (41 Pharmacies)		Over 100 Prescriptions Daily (57 Pharmacies)	
Sales						
Prescription	$228,325	42.1%	$329,107	59.7%	$434,378	79.3%
Other	314,088	57.9%	221,731	40.3%	113,675	20.7%
Total	$542,413	100.0%	$550,838	100.0%	$548,053	100.0%
Cost of goods sold	361,861	66.7%	355,525	64.5%	353,655	64.5%
Gross margin	$180,552	33.3%	$195,313	35.5%	$194,398	35.5%
Expenses						
Proprietor's or manager's salary	$ 30,793	5.7%	$ 32,424	5.9%	$ 35,201	6.4%
Employees' wages	64,201	11.8%	65,962	12.0%	64,615	11.8%
Rent	13,076	2.4%	12,487	2.3%	13,015	2.4%
Heat, light, and power	5,727	1.1%	5,021	0.9%	3,711	0.7%
Accounting, legal, and other professional fees	2,191	0.4%	3,034	0.6%	2,486	0.4%
Taxes (except on buildings, income, and profit) and licenses	8,435	1.6%	9,889	1.8%	8,785	1.6%
Insurance (except on buildings)	5,992	1.1%	6,997	1.3%	6,228	1.1%
Interest paid	4,902	0.9%	2,962	0.5%	2,738	0.5%
Repairs	1,932	0.4%	2,258	0.4%	1,652	0.3%
Delivery	2,160	0.4%	3,135	0.6%	3,668	0.7%
Advertising	4,648	0.9%	4,855	0.9%	4,177	0.8%
Depreciation (except on buildings)	5,637	1.0%	4,635	0.8%	5,455	1.0%
Bad debts charged off	481	0.1%	808	0.1%	1,071	0.2%
Telephone	1,850	0.3%	2,029	0.4%	1,955	0.3%
Miscellaneous	14,076	2.6%	16,792	3.0%	15,904	2.9%
		10.8%		11.3%		10.5%
Total expenses	$166,101	30.7%	$173,288	31.5%	$170,661	31.1%
Net profit (before taxes)	$ 14,451	2.6%	$ 22,025	4.0%	$ 23,737	4.4%
Add proprietor's withdrawals	30,793	5.7%	32,424	5.9%	35,201	6.4%
Total income of self-employed proprietor (before taxes on income and profits)	$ 45,244	8.3%	$ 54,449	9.9%	$ 58,938	10.8%
Value of inventory at cost and as a percent of sales						
Prescription	$ 26,926	11.8%	$ 34,521	10.5%	$ 39,992	9.2%
Other	65,482	20.8%	52,029	23.5%	30,685	27.0%
Total	$ 92,408	17.0%	$ 86,550	15.7%	$ 70,677	12.9%
Annual rate of turnover of inventory	4.0 times		4.3 times		5.1 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.	
Prescription	387	$588.70	392	$839.92	482	$905.17
Other	2,839	111.07	2,823	78.53	1,444	77.55
Total	3,226	168.35	3,215	171.32	1,926	284.67
Sales per dollar invested in inventory						
Prescription	$8.48		$9.53		$10.86	
Other	4.80		4.26		3.70	
Net profit per dollar invested in inventory	$0.160		$0.250		$0.340	
Number of prescriptions dispensed						
New	10,064	47.3%	15,608	48.7%	22,408	49.3%
Renewed	11,228	52.7%	16,448	51.3%	23,080	50.7%
Total	21,292	100.0%	32,056	100.0%	45,488	100.0%
Prescription charge	$10.72		$10.27		$9.55	
Number of hours per week						
Pharmacy was open	70 hours		66 hours		62 hours	
Worked by proprietor	48 hours		46 hours		48 hours	
Worked by employed pharmacist(s)	46 hours		49 hours		53 hours	

*Based on averages of pharmacies that reported all data

Table 14

Sales $500,000-$750,000

Total Sales

$600,000-$750,000

Under 75 Prescriptions Daily (35 Pharmacies)	75 to 100 Prescriptions Daily (33 Pharmacies)	100 to 125 Prescriptions Daily (28 Pharmacies)	Over 125 Prescriptions Daily (32 Pharmacies)
$230,160— 34.5%	$348,140— 53.2%	$398,874— 57.4%	$514,946— 76.7%
436,124— 65.5%	306,408— 46.8%	295,795— 42.6%	156,811— 23.3%
$666,284—100.0%	$654,548—100.0%	$694,669—100.0%	$671,757—100.0%
441,988— 66.3%	435,530— 66.5%	457,758— 65.9%	434,336— 64.7%
$224,296— 33.7%	$219,018— 33.5%	$236,911— 34.1%	$237,421— 35.3%
$ 34,963— 5.2%	$ 35,856— 5.5%	$ 35,984— 5.2%	$ 33,424— 5.0%
78,966— 11.9%	83,099— 12.7%	92,485— 13.3%	83,761— 12.5%
17,976— 2.7%	15,487— 2.4%	14,178— 2.0%	14,957— 2.2%
6,278— 0.9%	6,392— 1.0%	5,812— 0.8%	3,914— 0.6%
3,513— 0.5%	2,742— 0.4%	2,978— 0.4%	3,413— 0.5%
11,141— 1.7%	11,089— 1.7%	11,869— 1.7%	11,697— 1.7%
6,942— 1.0%	6,233— 1.0%	7,455— 1.1%	7,858— 1.2%
5,305— 0.8%	5,829— 0.9%	6,559— 1.0%	3,279— 0.5%
3,114— 0.5%	2,050— 0.3%	2,795— 0.4%	1,999— 0.3%
2,324— 0.4%	1,926— 0.3%	3,186— 0.5%	4,543— 0.7%
7,892— 1.2%	8,013— 1.2%	6,538— 1.0%	7,029— 1.0%
6,597— 1.0%	7,194— 1.1%	6,493— 0.9%	7,196— 1.1%
984— 0.1%	1,114— 0.2%	1,352— 0.2%	2,000— 0.3%
2,011— 0.3%	1,587— 0.2%	2,767— 0.4%	2,274— 0.3%
18,283— 2.7%	16,668— 2.5%	23,805— 3.4%	22,913— 3.4%
11.1%	10.8%	11.8%	11.6%
$206,289— 30.9%	$205,279— 31.4%	$224,256— 32.3%	$210,257— 31.3%
$ 18,007— 2.8%	$ 13,739— 2.1%	$ 12,655— 1.8%	$ 27,164— 4.0%
34,963— 5.2%	35,856— 5.5%	35,984— 5.2%	33,424— 5.0%
$ 52,970— 8.0%	$ 49,595— 7.6%	$ 48,639— 7.0%	$ 60,588— 9.0%
$ 28,315— 12.3%	$ 33,052— 9.5%	$ 36,351— 9.1%	$ 49,465— 9.6%
87,481— 20.1%	62,077— 20.3%	64,118— 21.7%	34,298— 21.9%
$115,796— 17.4%	$ 95,129— 14.5%	$100,469— 14.5%	$ 83,763— 12.5%
3.9 times	4.7 times	4.7 times	5.5 times
sq. ft. sq. ft.	sq. ft. sq. ft.	sq. ft. sq. ft.	sq. ft. sq. ft.
308 $735.11	373 $936.97	419 $961.01	516 $997.29
3,655 120.82	2,843 107.38	2,854 102.53	1,628 94.51
3,963 168.54	3,216 203.60	3,273 212.41	2,144 311.73
$8.13	$10.53	$10.97	$10.41
4.99	4.94	4.61	4.57
$0.160	$0.140	$0.130	$0.320
10,370— 49.7%	15,376— 48.2%	20,439— 51.0%	25,560— 46.8%
10,478— 50.3%	16,521— 51.8%	19,603— 49.0%	29,078— 53.2%
20,848—100.0%	31,897—100.0%	40,042—100.0%	54,638—100.0%
$11.04	$10.91	$9.96	$9.42
68 hours	69 hours	67 hours	63 hours
48 hours	47 hours	47 hours	46 hours
54 hours	62 hours	55 hours	65 hours

Averages per Pharmacy	Total Sales $750,000-$1,000,000						
	Under 100 Prescriptions Daily (48 Pharmacies)			100 to 150 Prescriptions Daily (41 Pharmacies)			Over 150 Prescriptions Daily (34 Pharmacies)	
Sales								
Prescription	$295,643	34.5%		$463,809	54.1%		$579,941	67.9%
Other	560,362	65.5%		392,753	45.9%		274,216	32.1%
Total	$856,005	100.0%		$856,562	100.0%		$854,157	100.0%
Cost of goods sold	576,163	67.3%		561,550	65.6%		566,327	66.3%
Gross margin	$279,842	32.7%		$295,012	34.4%		$287,830	33.7%
Expenses								
Proprietor's or manager's salary	$ 36,358	4.2%		$ 39,089	4.6%		$ 42,510	5.0%
Employees' wages	106,531	12.4%		109,715	12.8%		116,067	13.6%
Rent	21,812	2.5%		20,073	2.3%		16,824	2.0%
Heat, light, and power	9,066	1.1%		6,620	0.8%		5,939	0.7%
Accounting, legal, and other professional fees	3,639	0.4%		3,343	0.4%		3,732	0.4%
Taxes (except on buildings, income, and profit) and licenses	13,212	1.5%		13,162	1.5%		12,985	1.5%
Insurance (except on buildings)	8,935	1.1%		9,529	1.1%		9,823	1.2%
Interest paid	6,090	0.7%		5,200	0.6%		5,637	0.7%
Repairs	4,372	0.5%	11.1%	3,806	0.5%	11.0%	2,991	0.3%
Delivery	3,281	0.4%		3,522	0.4%		3,394	0.4%
Advertising	11,315	1.3%		10,668	1.2%		6,975	0.8%
Depreciation (except on buildings)	7,282	0.9%		8,271	1.0%		7,470	0.9%
Bad debts charged off	812	0.1%		1,252	0.1%		803	0.1%
Telephone	2,175	0.3%		2,533	0.3%		2,897	0.3%
Miscellaneous	23,674	2.8%		26,482	3.1%		26,811	3.1%
Total expenses	$258,554	30.2%		$263,265	30.7%		$264,858	31.0%
Net profit (before taxes)	$ 21,288	2.5%		$ 31,747	3.7%		$ 22,972	2.7%
Add proprietor's withdrawals	36,358	4.2%		39,089	4.6%		42,510	5.0%
Total income of self-employed proprietor (before taxes on income and profits)	$ 57,646	6.7%		$ 70,836	8.3%		$ 65,482	7.7%
Value of inventory at cost and as a percent of sales								
Prescription	$ 30,553	10.3%		$ 43,268	9.3%		$ 50,542	8.7%
Other	113,238	20.2%		81,546	20.8%		45,755	16.7%
Total	$143,791	16.8%		$124,814	14.6%		$ 96,297	11.3%
Annual rate of turnover of inventory	4.1 times			4.7 times			6.1 times	
Size of area and sales per square foot*	sq. ft.			sq. ft.			sq. ft.	
Prescription	417	$720.99		497	$942.12		556	$1,047.23
Other	4,727	117.71		3,031	127.95		2,560	105.72
Total	5,144	166.60		3,528	242.73		3,116	273.68
Sales per dollar invested in inventory								
Prescription	$9.68			$10.72			$11.47	
Other	4.95			4.82			5.99	
Net profit per dollar invested in inventory	$0.150			$0.250			$0.240	
Number of prescriptions dispensed								
New	13,890	49.4%		21,711	48.1%		32,985	51.2%
Renewed	14,225	50.6%		23,423	51.9%		31,462	48.8%
Total	28,115	100.0%		45,134	100.0%		64,447	100.0%
Prescription charge	$10.52			$10.28			$9.00	
Number of hours per week								
Pharmacy was open	70 hours			71 hours			67 hours	
Worked by proprietor	49 hours			48 hours			47 hours	
Worked by employed pharmacist(s)	65 hours			77 hours			78 hours	

*Based on averages of pharmacies that reported all data

Find and Compare

Table 15

Sales over $750,000

Total Sales $1,000,000-$1,500,000			Total Sales Over $1,500,000
Under 100 Prescriptions Daily (29 Pharmacies)	100 to 150 Prescriptions Daily (34 Pharmacies)	Over 150 Prescriptions Daily (32 Pharmacies)	(33 Pharmacies)
$ 290,424— 24.8%	$ 452,581— 38.2%	$ 699,343— 58.0%	$ 656,074— 31.6%
879,136— 75.2%	732,092— 61.8%	507,301— 42.0%	1,421,339— 68.4%
$1,169,560—100.0%	$1,184,673—100.0%	$1 206,644—100.0%	$2,077,413—100.0%
806,290— 68.9%	814,326— 68.7%	822,654— 68.2%	1,463,883— 70.5%
$ 363,270— 31.1%	$ 370,347— 31.3%	$ 383,990— 31.8%	$ 613,530— 29.5%
$ 41,794— 3.6%	$ 45,418— 3.8%	$ 48,055— 4.0%	$ 51,922— 2.5%
142,916— 12.2%	146,893— 12.4%	149,352— 12.4%	269,537— 13.0%
34,145— 2.9%	25,995— 2.2%	24,737— 2.1%	41,193— 2.0%
10,466— 0.9%	11,093— 0.9%	8,604— 0.7%	16,012— 0.8%
5,399— 0.5%	5,805— 0.5%	4,149— 0.3%	7,218— 0.4%
14,386— 1.2%	17,492— 1.5%	16,678— 1.3%	25,455— 1.2%
9,799— 0.9%	11,928— 1.0%	12,193— 1.0%	15,172— 0.7%
6,959— 0.6%	8,105— 0.7%	7,186— 0.6%	12,935— 0.6%
4,672— 0.4%	4,825— 0.4%	4,355— 0.4%	7,083— 0.3%
3,814— 0.3%	3,296— 0.3%	4,569— 0.4%	6,864— 0.3%
16,678— 1.4%	15,895— 1.3%	10,608— 0.9%	26,686— 1.3%
10,352— 0.9%	11,334— 1.0%	11,650— 1.0%	17,358— 0.8%
863— 0.1%	822— 0.1%	1,074— 0.1%	1,326— 0.1%
2,779— 0.2%	3,345— 0.3%	3,954— 0.3%	4,756— 0.2%
36,774— 3.2%	37,273— 3.1%	38,165— 3.1%	58,591— 2.8%
10.6%	11.1%	10.1%	9.5%
$ 341,796— 29.3%	$ 349,519— 29.5%	$ 345,329— 28.6%	$ 562,108— 27.0%
$ 21,474— 1.8%	$ 20,828— 1.8%	$ 38,661— 3.2%	$ 51,422— 2.5%
41,794— 3.6%	45,418— 3.8%	48,055— 4.0%	51,922— 2.5%
$ 63,268— 5.4%	$ 66,246— 5.6%	$ 86,716— 7.2%	$ 103,344— 5.0%
$ 33,322— 11.5%	$ 46,691— 10.3%	$ 69,801— 10.0%	$ 62,048— 9.5%
147,935— 16.8%	137,989— 18.8%	81,677— 16.1%	218,057— 15.3%
$ 181,257— 15.5%	$ 184,680— 15.6%	$ 151,478— 12.6%	$ 280,105— 13.5%
4.6 times	4.5 times	5.7 times	5.4 times
sq. ft. 424 $690.05	sq. ft. 470 $963.36	sq. ft. 609 $1,173.64	sq. ft. 593 $994.93
5,200 167.12	4,528 161.66	3,379 145.75	6,914 202.48
5,624 206.55	4,998 237.01	3,988 302.72	7,507 265.06
$8.72	$9.69	$10.02	$10.57
5.94	5.31	6.21	6.52
$0.120	$0.110	$0.260	$0.180
15,047— 52.3%	23,911— 53.8%	37,695— 50.0%	34,851— 53.0%
13,430— 47.2%	20,566— 46.2%	37,745— 50.0%	30,897— 47.0%
28,477—100.0%	44,477—100.0%	75,440—100.0%	65,748—100.0%
$10.20	$10.18	$9.27	$9.98
74 hours	78 hours	73 hours	81 hours
45 hours	49 hours	47 hours	47 hours
72 hours	84 hours	94 hours	112 hours

Net Profit

If independent community pharmacy managers are to continue providing their patrons with pharmaceutical services, their stores must generate a profit. Profits provide funds for working capital, capital improvements, returns to investors, and retained earnings. When a pharmacy continually shows a loss, the capital required to maintain normal operations must be borrowed. This adds interest expense that further reduces net profit. If too many losses are incurred, borrowing may become difficult, and, finally, lenders will refuse loans for such businesses. Should additional capital, from either lenders or owners' investments, not be forthcoming, these pharmacies will eventually fail, and pharmaceutical services needed by the community will cease.

Table 16 shows that 14% of all stores reporting in 1982 operated at a loss—down from 15% in 1981. Furthermore, 21% of stores submitting figures—down from 22% last year—posted a net profit of less than 2%. At the high end of the range, 11%—1% lower than the figure for 1981—had a net profit of 10% or more. It should be mentioned that 31% of pharmacies—up from 28% in 1981—reported 1982 net profit before taxes between 2% and 5% of sales. Overall, the statistics in Table 16 suggest that there was a slight improvement in the net profit position among pharmacies reporting for 1982, when compared with data for the previous year.

Table 16 *Net profit according to sales size*

	Under $150,000	$150,000-$200,000	$200,000-$250,000	$250,000-$300,000	$300,000-$350,000	$350,000-$400,000	$400,000-$450,000	$450,000-$500,000	$500,000-$600,000	$600,000-$750,000	$750,000-$1,000,000	Over $1,000,000	This Year	Last Year
Number of Pharmacies	80	109	136	152	156	145	109	106	156	128	123	128	1,528	1,750
Net Profit as a Percent of Sales														
Operating at a loss	20%	28%	15%	11%	16%	22%	7%	14%	10%	13%	4%	10%	14%	15%
Less than 2%	20%	21%	19%	20%	19%	18%	19%	17%	21%	25%	24%	32%	21%	22%
2% to 5%	29%	14%	24%	27%	30%	26%	40%	45%	33%	33%	43%	34%	31%	28%
5% to 7.5%	14%	21%	19%	17%	14%	13%	15%	15%	16%	15%	20%	17%	16%	16%
7.5% to 10%	5%	6%	10%	9%	12%	8%	8%	3%	10%	6%	4%	3%	7%	7%
10% and over	12%	10%	13%	16%	9%	13%	11%	6%	10%	8%	5%	4%	11%	12%

Table 17 *Turnover comparison (percent of sales)*

	Fast Turnover (229 Pharmacies)	Slow Turnover (320 Pharmacies)
Total sales	100.0%	100.0%
Cost of goods sold	68.1%	64.4%
Gross margin	31.9%	35.6%
Employees' wages	10.1%	11.9%
Rent and miscellaneous expenses	11.7%	15.0%
Total expenses (less proprietor's salary)	21.8%	26.9%
Total income (proprietor's salary plus net profit)	10.1%	8.6%
Total inventory	7.8%	22.4%
Inventory turnover	8.6 times	2.9 times

Turnover—The data in Table 17 represent operating statistics selected from a group of stores with a high inventory turnover rate and another group with a low rate. These figures indicate that pharmacist-owners/managers who control their inventory and maintain a high turnover rate can improve their total income. Pharmacies with an inventory turnover rate averaging 8.6 times per year reported a higher cost of goods sold and, therefore, a lower gross margin than the slow turnover group recorded. However, because of the offsetting effect of lower total expenses, these stores had a higher total income. The more favorable expense figure may result, in part, from economies in inventory carrying and holding costs.

Regional Variations

Tables 18 and 19 depict the variations in operating statistics of independent community pharmacies in different geographic regions. As illustrated in previous editions of the LILLY DIGEST, sales and expenses are influenced by regional factors such as the cost of living, population density, the ratio of pharmacies to population, pharmacy manpower, and, possibly, state health programs.

Consistent with the trend of recent years, the Pacific States reported the highest average prescription charge and the largest total expense percentage. They also had the lowest cost of goods sold and, therefore, the highest gross margin as a percent of sales. The East South Central States again showed the lowest average prescription charge and the highest ratio of prescription revenue to total sales. In the Middle Atlantic States, the average prescription volume was the largest for the second consecutive year.

Rental expenditure ranged from a low of 2.1% of sales in the New England and Middle Atlantic States to a high of 3.1% in the Pacific States. The Mountain States had the largest floor area, which was associated with the smallest sales per square foot, whereas the New England States posted the highest sales per square foot. Stores in the Middle Atlantic States were open the longest hours.

Net profit before taxes was lowest in the New England States and highest in the East South Central region. The New England States, however, reported the highest average inventory turnover rate, at 5.3 times. Net profit per dollar of inventory investment was greatest in the East South Central States and least in the New England region. The largest dollar change in average net profit during 1982 occurred in the Middle Atlantic States, up over 30% from the previous year's figures. By contrast, the Mountain States showed the greatest loss in net profit dollars—down 69% from 1981.

Table 18 *Geographic summary of average prescription charge and net profit*

Geographic Region	Average Prescription Charge	Average Net Profit
New England States	$9.57	1.7%
Middle Atlantic States	9.15	3.0%
East North Central States	9.95	2.2%
West North Central States	10.07	3.2%
South Atlantic States	9.43	3.6%
East South Central States	8.90	4.5%
West South Central States	10.23	4.3%
Mountain States	10.53	2.6%
Pacific States	11.25	2.6%
LILLY DIGEST Average	9.91	2.9%

BEST AVAILABLE COPY

Table 19 was designed to permit comparison between regions. However, it is suggested that an individual pharmacy first compare its operating data with statistics in the "Heart of the LILLY DIGEST." The regional information may then be used to explain variations from the usual averages, which should contribute to a more meaningful evaluation.

Table 19 *Summary by geographic regions in 1982*

Averages per Pharmacy	New England States (81 Pharmacies)	Middle Atlantic States (146 Pharmacies)	East North Central States (322 Pharmacies)	West North Central States (228 Pharmacies)
Sales				
Prescription	$269,467— 46.6%	$295,318— 50.1%	$300,048— 52.3%	$241,759— 57.1%
Other	308,687— 53.4%	293,620— 49.9%	273,247— 47.7%	181,964— 42.9%
Total	$578,154—100.0%	$588,938—100.0%	$573,295—100.0%	$423,723—100.0%
Cost of goods sold	401,893— 69.5%	400,388— 68.0%	387,884— 67.7%	284,101— 67.0%
Gross margin	$176,261— 30.5%	$188,550— 32.0%	$185,411— 32.3%	$139,622— 33.0%
Expenses				
Proprietor's or manager's salary	$ 29,135— 5.0%	$ 32,618— 5.5%	$ 30,428— 5.3%	$ 27,380— 6.5%
Employees' wages	66,971— 11.6%	68,398— 11.6%	67,168— 11.7%	42,674— 10.1%
Rent	12,168— 2.1%	12,244— 2.1%	13,348— 2.3%	10,285— 2.4%
Heat, light, and power	5,080— 0.9%	5,255— 0.9%	5,470— 1.0%	3,375— 0.8%
Accounting, legal, and other professional fees	2,361— 0.4%	2,206— 0.4%	3,031— 0.5%	1,800— 0.4%
Taxes (except on buildings, income, and profit) and licenses	9,329— 1.6%	7,782— 1.3%	9,111— 1.6%	5,419— 1.3%
Insurance (except on buildings)	6,075— 1.1%	6,484— 1.1%	5,772— 1.0%	3,712— 0.9%
Interest paid	3,198— 0.6%	3,017— 0.5%	4,457— 0.7%	4,206— 1.0%
Repairs	2,301— 0.4%	1,850— 0.3%	2,179— 0.4%	1,414— 0.3%
Delivery	2,554— 0.4%	3,282— 0.5%	2,217— 0.4%	1,762— 0.4%
Advertising	4,176— 0.7%	5,314— 0.9%	6,694— 1.1%	6,397— 1.5%
Depreciation (except on buildings)	5,339— 0.9%	5,248— 0.9%	5,597— 1.0%	4,163— 1.0%
Bad debts charged off	338— 0.1%	369— 0.1%	416— 0.1%	480— 0.1%
Telephone	2,009— 0.3%	1,787— 0.3%	1,715— 0.3%	1,568— 0.4%
Miscellaneous	15,586— 2.7%	15,333— 2.6%	15,518— 2.7%	11,388— 2.7%
	10.1%	9.8%	10.8%	10.8%
Total expenses	$166,620— 28.8%	$171,187— 29.0%	$173,121— 30.1%	$126,023— 29.8%
Net profit (before taxes)	$ 9,641— 1.7%	$ 17,363— 3.0%	$ 12,290— 2.2%	$ 13,599— 3.2%
Add proprietor's withdrawals	29,135— 5.0%	32,618— 5.5%	30,428— 5.3%	27,380— 6.5%
Total income of self-employed proprietor (before taxes on income and profits)	$ 38,776— 6.7%	$ 49,981— 8.5%	$ 42,718— 7.5%	$ 40,979— 9.7%
Value of inventory at cost and as a percent of sales				
Prescription	$ 30,414— 11.3%	$ 32,775— 11.1%	$ 32,136— 10.7%	$ 28,619— 11.8%
Other	49,093— 15.9%	48,609— 16.6%	55,199— 20.2%	44,048— 24.2%
Total	$ 79,507— 13.8%	$ 81,384— 13.8%	$ 87,335— 15.2%	$ 72,667— 17.1%
Annual rate of turnover of inventory	5.3 times	5.1 times	4.6 times	4.0 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	329 $807.72	397 $718.24	404 $734.39	341 $699.65
Other	2,117 144.46	2,020 131.58	2,342 114.53	1,888 95.47
Total	2,446 233.80	2,417 228.40	2,746 205.65	2,229 188.00
Sales per dollar invested in inventory				
Prescription	$8.86	$9.01	$9.34	$8.45
Other	6.29	6.04	4.95	4.13
Net profit per dollar invested in inventory	$0.121	$0.213	$0.141	$0.187
Number of prescriptions dispensed				
New	13,965— 49.6%	17,215— 53.3%	14,603— 48.4%	10,661— 44.4%
Renewed	14,201— 50.4%	15,055— 46.7%	15,551— 51.6%	13,337— 55.6%
Total	28,166—100.0%	32,270—100.0%	30,154—100.0%	23,998—100.0%
Prescription charge	$9.57	$9.15	$9.95	$10.07
Number of hours per week				
Pharmacy was open	68 hours	70 hours	66 hours	59 hours
Worked by proprietor	48 hours	50 hours	48 hours	49 hours
Worked by employed pharmacist(s)	50 hours	47 hours	45 hours	31 hours

*Based on averages of pharmacies that reported all data

South Atlantic States (204 Pharmacies)	East South Central States (110 Pharmacies)	West South Central States (144 Pharmacies)	Mountain States (86 Pharmacies)	Pacific States (207 Pharmacies)	U.S. Average (1,528 Pharmacies)
$271,516— 59.6%	$262,179— 70.1%	$280,500— 60.5%	$207,475— 40.4%	$276,705— 56.1%	$272,527— 54.7%
183,970— 40.4%	111,730— 29.9%	182,983— 39.5%	305,660— 59.6%	216,194— 43.9%	225,494— 45.3%
$455,486—100.0%	$373,909—100.0%	$463,483—100.0%	$513,135—100.0%	$492,899—100.0%	$498,021—100.0%
293,179— 64.4%	239,442— 64.0%	304,749— 65.8%	344,831— 67.2%	312,806— 63.5%	330,577— 66.4%
$162,307— 35.6%	$134,467— 36.0%	$158,734— 34.2%	$168,304— 32.8%	$180,093— 36.5%	$167,444— 33.6%
$ 28,806— 6.3%	$ 29,933— 8.0%	$ 29,503— 6.4%	$ 27,202— 5.3%	$ 33,176— 6.7%	$ 29,965— 6.0%
56,115— 12.3%	39,516— 10.6%	47,145— 10.2%	53,224— 10.4%	59,580— 12.1%	56,454— 11.3%
10,293— 2.3%	8,684— 2.3%	10,391— 2.2%	14,430— 2.8%	15,242— 3.1%	12,018— 2.4%
4,878— 1.1%	3,677— 1.0%	3,745— 0.8%	4,336— 0.8%	3,667— 0.7%	4,437— 0.9%
1,868— 0.4%	1,363— 0.4%	1,926— 0.4%	2,167— 0.4%	3,036— 0.6%	2,305— 0.5%
7,614— 1.7%	5,772— 1.5%	6,086— 1.3%	6,760— 1.3%	8,134— 1.6%	7,455— 1.5%
4,987— 1.1%	3,840— 1.0%	4,714— 1.0%	4,563— 0.9%	6,174— 1.3%	5,191— 1.0%
3,604— 0.8%	2,991— 0.8%	4,808— 1.0%	5,842— 1.1%	3,836— 0.8%	4,023— 0.8%
1,675— 0.4%	1,478— 0.4%	1,813— 0.4%	2,025— 0.4%	2,142— 0.4%	1,874— 0.4%
2,335— 0.5%	1,863— 0.5%	2,752— 0.6%	1,926— 0.4%	2,480— 0.5%	2,329— 0.5%
4,093— 0.9%	3,616— 1.0%	4,658— 1.0%	7,006— 1.4%	5,077— 1.0%	5,422— 1.1%
4,628— 1.0%	4,184— 1.1%	4,618— 1.0%	5,512— 1.1%	4,786— 1.0%	4,898— 1.0%
937— 0.2%	739— 0.2%	825— 0.2%	888— 0.2%	944— 0.2%	647— 0.1%
1,971— 0.4%	1,429— 0.4%	2,065— 0.5%	1,725— 0.3%	1,817— 0.4%	1,776— 0.4%
12,083— 2.6%	8,710— 2.3%	13,536— 2.9%	17,212— 3.4%	17,242— 3.5%	14,082— 2.8%
11.1%	10.6%	11.1%	11.7%	12.0%	11.0%
$145,887— 32.0%	$117,795— 31.5%	$138,585— 29.9%	$154,818— 30.2%	$167,333— 33.9%	$152,876— 30.7%
$ 16,420— 3.6%	$ 16,672— 4.5%	$ 20,149— 4.3%	$ 13,486— 2.6%	$ 12,760— 2.6%	$ 14,568— 2.9%
28,806— 6.3%	29,933— 8.0%	29,503— 6.4%	27,202— 5.3%	33,176— 6.7%	29,965— 6.0%
$ 45,226— 9.9%	$ 46,605— 12.5%	$ 49,652— 10.7%	$ 40,688— 7.9%	$45,936— 9.3%	$ 44,533— 8.9%
$ 29,682— 10.9%	$ 27,581— 10.5%	$ 29,448— 10.5%	$ 25,209— 12.2%	$ 27,411— 9.9%	$ 29,642— 10.9%
38,652— 21.0%	26,897— 24.1%	39,587— 21.6%	66,533— 21.8%	48,348— 22.4%	46,574— 20.7%
$ 68,334— 15.0%	$ 54,476— 14.6%	$ 69,035— 14.9%	$ 91,742— 17.9%	$ 75,759— 15.4%	$ 76,216— 15.3%
4.4 times	4.6 times	4.6 times	3.9 times	4.2 times	4.5 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
429 $637.14	374 $685.31	395 $714.34	432 $480.33	412 $673.86	393 $687.87
2,156 84.70	1,735 63.33	1,938 95.44	2,663 114.49	2,245 97.89	2,131 104.23
2,585 176.42	2,109 173.69	2,333 200.23	3,095 165.55	2,657 187.22	2,524 195.08
$9.15	$9.51	$9.53	$8.23	$10.09	$9.19
4.76	4.15	4.62	4.59	4.47	4.84
$0.240	$0.306	$0.292	$0.147	$0.168	$0.191
13,518— 46.9%	13,591— 46.2%	13,250— 48.3%	9,948— 50.5%	13,111— 53.3%	13,421— 48.8%
15,282— 53.1%	15,856— 53.8%	14,179— 51.7%	9,757— 49.5%	11,477— 46.7%	14,080— 51.2%
28,800—100.0%	29,447—100.0%	27,429—100.0%	19,705—100.0%	24,588—100.0%	27,501—100.0%
$9.43	$8.90	$10.23	$10.53	$11.25	$9.91
61 hours	59 hours	58 hours	61 hours	57 hours	62 hours
47 hours	49 hours	49 hours	49 hours	44 hours	48 hours
37 hours	27 hours	29 hours	38 hours	35 hours	38 hours

Pharmacy Location

BEST AVAILABLE COPY

The distribution of LILLY DIGEST pharmacies according to location as well as operating statistics for those locations are presented in Chart 4 and Table 20. No significant deviation was noted in the distribution of retail pharmacies in comparison with 1981 data; the majority of stores reporting were downtown and neighborhood pharmacies, although a larger percentage of stores were in neighborhood locations in 1982.

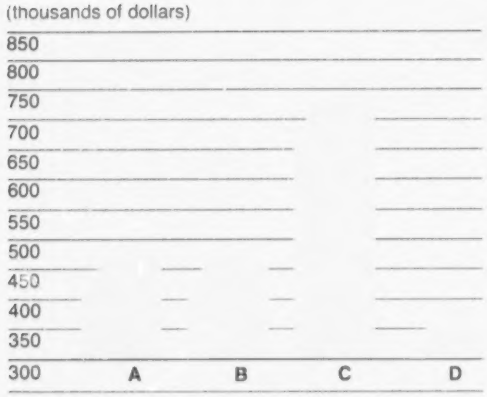
Shopping center locations again accounted for the highest average sales and the largest floor area and remained open the longest hours. These units also dispensed the largest number of prescriptions and recorded the greatest sales per dollar invested in prescription inventory. They posted the lowest gross margin and net profit figures as percents of total sales. Their net profit slipped from 3.2% to 2.3% of sales because of a higher cost of goods sold and higher expenses.

Downtown and neighborhood pharmacies reported a slight decline in net profit in comparison with 1981 percentages, whereas pharmacies in medical office buildings maintained a stable net profit at 4.8% of sales.

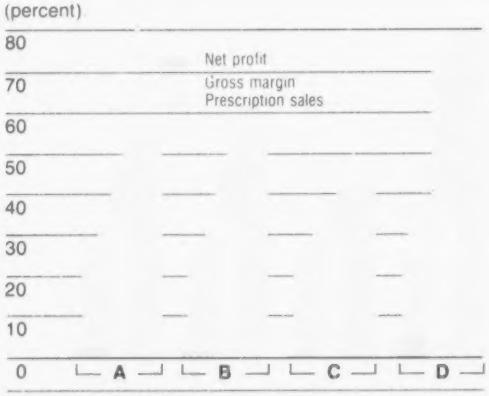
As in previous editions of the LILLY DIGEST, the highest net profit and fewest weekly hours open were in medical office building pharmacies. These units also had the highest gross margin and prescription charge. Rental expenditure dollars per square foot ($12.16) are higher for these pharmacies than any of the other locations. It should be noted that this is somewhat lower than the figure reported last year. It may be explained, in part, by the fact that square footage increased while rental dollars decreased for the typical medical office building pharmacy. Net profit per dollar invested in inventory was once again highest in these locations.

Chart 4 *The effect of location on pharmacy operating data*

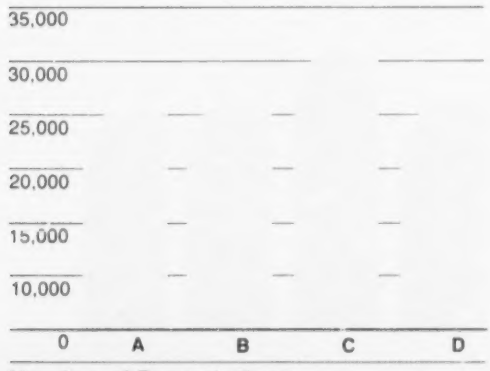
A Downtown
B Neighborhood
C Shopping Center
D Medical Office Building



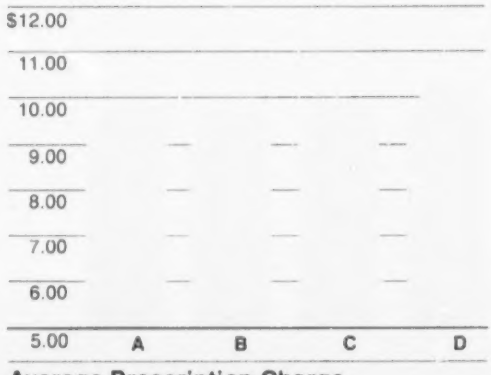
Total Sales Volume



Percent of Sales



Number of Prescriptions



Average Prescription Charge

Table 20 *Summary of pharmacy operations according to location*

Averages per Pharmacy	Downtown (565 Pharmacies)		Neighborhood (458 Pharmacies)		Shopping Center (235 Pharmacies)		Medical Office Building (218 Pharmacies)	
Sales								
Prescription	$258,947	54.6%	$265,567	55.8%	$316,201	43.1%	$279,695	79.4%
Other	215,592	45.4%	210,512	44.2%	417,847	56.9%	72,510	20.6%
Total	$474,539	100.0%	$476,079	100.0%	$734,048	100.0%	$352,205	100.0%
Cost of goods sold	316,995	66.8%	318,482	66.9%	493,690	67.3%	218,257	62.0%
Gross margin	$157,544	33.2%	$157,597	33.1%	$240,358	32.7%	$133,948	38.0%
Expenses								
Proprietor's or manager's salary	$ 28,541	6.0%	$ 29,542	6.2%	$ 33,754	4.6%	$ 30,375	8.6%
Employees' wages	53,643	11.3%	53,464	11.2%	88,688	12.1%	35,073	10.0%
Rent	9,332	2.0%	10,788	2.3%	19,989	2.7%	12,560	3.6%
Heat, light, and power	4,422	0.9%	4,600	1.0%	6,949	1.0%	1,286	0.4%
Accounting, legal, and other professional fees	2,009	0.4%	2,168	0.4%	3,191	0.4%	2,415	0.7%
Taxes (except on buildings, income, and profit) and licenses	7,229	1.5%	7,392	1.5%	10,446	1.4%	4,803	1.3%
Insurance (except on buildings)	4,696	1.0%	5,335	1.1%	6,879	0.9%	4,292	1.2%
Interest paid	3,916	0.8%	4,138	0.9%	5,584	0.8%	2,369	0.7%
Repairs	1,727	0.4%	1,830	0.4%	3,097	0.4%	903	0.2%
Delivery	1,986	0.4%	2,352	0.5%	3,058	0.4%	2,318	0.7%
Advertising	6,017	1.3%	4,540	1.0%	8,502	1.2%	2,526	0.7%
Depreciation (except on buildings)	4,896	1.0%	4,735	1.0%	6,808	0.9%	3,317	0.9%
Bad debts charged off	708	0.2%	502	0.1%	616	0.1%	770	0.2%
Telephone	1,558	0.3%	1,736	0.4%	2,332	0.3%	1,778	0.5%
Miscellaneous	12,186	2.6%	12,479	2.6%	23,216	3.2%	12,239	3.5%
		10.8%		10.9%		11.0%		11.0%
Total expenses	$142,866	30.1%	$145,601	30.6%	$223,109	30.4%	$117,024	33.2%
Net profit (before taxes)	$ 14,678	3.1%	$ 11,996	2.5%	$ 17,249	2.3%	$ 16,924	4.8%
Add proprietor's withdrawals	28,541	6.0%	29,542	6.2%	33,754	4.6%	30,375	8.6%
Total income of self-employed proprietor (before taxes on income and profits)	$ 43,219	9.1%	$ 41,538	8.7%	$ 51,003	6.9%	$ 47,299	13.4%
Value of inventory at cost and as a percent of sales								
Prescription	$ 28,380	11.0%	$ 29,623	11.2%	$ 32,188	10.2%	$ 30,365	10.9%
Other	47,932	22.2%	42,507	20.2%	84,693	20.3%	10,755	14.8%
Total	$ 76,312	16.1%	$ 72,130	15.2%	$116,881	15.9%	$ 41,120	11.7%
Annual rate of turnover of inventory	4.3 times		4.5 times		4.4 times		5.5 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.		sq. ft.	
Prescription	361	$716.98	372	$697.00	433	$726.13	453	$622.94
Other	2,228	96.30	2,046	100.09	3,501	117.04	580	123.04
Total	2,589	189.34	2,418	203.54	3,934	191.48	1,033	362.43
Sales per dollar invested in inventory								
Prescription		$9.12		$8.96		$9.82		$9.21
Other		4.50		4.95		4.93		6.74
Net profit per dollar invested in inventory		$0.192		$0.166		$0.148		$0.412
Number of prescriptions dispensed								
New	11,887	45.2%	13,145	48.4%	16,644	52.3%	14,663	54.2%
Renewed	14,417	54.8%	13,993	51.6%	15,208	47.7%	12,374	45.8%
Total	26,304	100.0%	27,138	100.0%	31,852	100.0%	27,037	100.0%
Prescription charge		$9.84		$9.79		$9.93		$10.34
Number of hours per week								
Pharmacy was open		61 hours		64 hours		69 hours		51 hours
Worked by proprietor		49 hours		50 hours		47 hours		43 hours
Worked by employed pharmacist(s)		38 hours		37 hours		50 hours		28 hours

*Based on averages of pharmacies that reported all data

Rent

During 1982, rental expense for the average independent community pharmacy fell 0.1%, to 2.4% of total sales. Although the rental percentage has changed five times in the last ten years, the changes have been within a very narrow range. One explanation for consistency of the rate over time is the long-term nature of rental agreements. Rent, like other expenses, should be kept in line with sales volume if a satisfactory net profit is to be maintained. Lessors will always attempt to increase their return on investment, and lessees, on the other hand, will strive to keep the costs within reasonable limits. A fair and equitable rental expenditure should be based on realistic sales and profit projections. Leases for pharmacy operations usually specify payments in terms of percent of sales, dollar figures per square foot occupied, total monthly or yearly dollar rates, or some combination of these.

Table 21 shows rental expense as a percent of sales according to sales volume. The distribution of this expense has not changed significantly from that reported in the 1982 DIGEST. The majority of pharmacies—56.3% (up from 55.2% in 1981)—paid 2.5% of sales or less for rent, and 78.6% spent less than 3.5%.

Table 22 permits the evaluation of rent from several different points of view. Managers should review the entire table in order to gain a proper perspective on the influence of several variables on rental expenditure.

Section A correlates rent with sales volume. When sales increase, rent tends to decline as a percent of sales, although it advances dollarwise. Larger, high-volume stores pay more rent, but each square foot of space is more productive.

Section B indicates that pharmacy size decreases as the percentage of prescription volume to total sales increases. Rent, in both dollars and percentage of sales, appears to decline until the highest prescription category is reached. Heavily prescription-oriented pharmacies are commonly located in medical office buildings, where rental charges are traditionally high.

Section C reveals that as daily prescription activity grows, there is an increase in total sales volume, and rent drops percentagewise. Section A closely parallels these data.

Section D shows the effect of store age on rent. Sales volume continues to expand as a pharmacy grows older, whereas rental expense declines as a percent of sales but increases in dollars. As expected, pharmacies in operation less than two years have the lowest sales volume and pay the highest rent percentage.

Section E illustrates rent expense according to geographic region. The New England and Middle Atlantic States reported the lowest rental percentage. These regions recorded among the highest average sales. In the Pacific States, pharmacies paid the most per square foot for rent, whereas stores in the South Atlantic States spent the least. The East South Central States had the lowest total sales and rental expense in dollars.

Table 21 *Rental percentages by sales size*

	Under $150,000	$150,000-$200,000	$200,000-$250,000	$250,000-$300,000	$300,000-$350,000	$350,000-$400,000	$400,000-$450,000	$450,000-$500,000	$500,000-$600,000	$600,000-$750,000	$750,000-$1,000,000	Over $1,000,000	Total	Percent of Pharmacies
Number of Pharmacies	80	109	136	152	156	145	109	106	156	128	123	128	1,528	100.0%
Rent as a Percent of Sales														
Less than 1.5%	5	16	31	31	34	48	34	24	43	34	30	31	361	23.6%
1.5% to 2.5%	12	33	37	44	52	48	40	36	59	39	47	53	500	32.7%
2.5% to 3.5%	16	20	39	42	41	27	16	25	34	35	22	24	341	22.3%
3.5% to 4.5%	14	14	14	16	13	15	11	7	9	14	18	14	159	10.4%
4.5% to 5.5%	16	15	7	9	8	3	4	8	5	5	3	3	86	
5.5% to 6.5%	6	3	4	3	2	3	2	2	2	—	2	3	32	
6.5% to 7.5%	2	3	1	4	2	—	2	2	1	1	1	—	19	
7.5% to 8.5%	3	2	1	2	2	—	—	1	2	—	—	—	13	
8.5% to 9.5%	2	2	1	—	—	1	—	1	—	—	—	—	7	11.0%
9.5% to 10.5%	—	—	—	1	1	—	—	—	—	—	—	—	2	
10.5% to 11.5%	—	—	—	—	—	—	—	—	—	—	—	—	0	
11.5% to 12.5%	1	—	1	—	—	—	—	—	—	—	—	—	2	
12.5% and over	3	1	—	—	1	—	—	—	1	—	—	—	6	

Table 22 *Rent correlated with various factors*

	Average Sales	Size of Pharmacy (Sq. Ft.)*	Sales per Square Foot	Average Rent	Rent per Square Foot	Rent Percentage
A Annual Sales						
Under $150,000	$ 121,434	1,234	$ 97.76	$ 5,204	$4.22	4.3%
$150,000 to $200,000	178,444	1,442	123.65	5,774	4.00	3.2%
$200,000 to $250,000	224,567	1,563	143.59	5,874	3.76	2.6%
$250,000 to $300,000	276,185	1,723	160.50	7,619	4.42	2.8%
$300,000 to $350,000	326,059	1,865	174.85	8,430	4.52	2.6%
$350,000 to $400,000	374,723	2,141	174.93	8,243	3.85	2.2%
$400,000 to $450,000	424,005	2,199	192.80	9,547	4.34	2.3%
$450,000 to $500,000	472,740	2,447	193.05	12,405	5.07	2.6%
$500,000 to $600,000	546,688	2,767	197.71	12,899	4.66	2.4%
$600,000 to $750,000	670,836	3,161	212.08	15,748	4.98	2.3%
$750,000 to $1,000,000	855,680	4,049	211.31	19,854	4.90	2.3%
$1,000,000 to $1,500,000	1,187,460	4,869	243.34	28,059	5.76	2.4%
Over $1,500,000	2,077,413	7,507	265.06	41,193	5.49	2.0%
B Percentage of Prescription Volume to Total Sales						
Under 25%	$1,052,564	5,668	$185.70	$28,910	$5.10	2.7%
25% to 30%	823,477	4,160	200.55	19,591	4.71	2.4%
30% to 35%	948,689	4,682	189.93	23,216	4.96	2.4%
35% to 40%	761,715	4,032	182.92	17,857	4.43	2.3%
40% to 45%	534,685	2,913	187.87	12,174	4.18	2.3%
45% to 50%	553,788	3,050	181.41	13,527	4.44	2.4%
50% to 55%	497,278	2,912	167.32	12,120	4.16	2.4%
55% to 60%	444,160	2,727	162.78	9,205	3.38	2.1%
60% to 75%	416,167	2,110	194.99	9,547	4.52	2.3%
Over 75%	349,166	1,309	266.01	9,170	7.01	2.6%
C Number of Prescriptions Dispensed Daily						
Under 25	$ 186,330	1,711	$115.86	$ 6,909	$4.04	3.7%
25 to 35	224,107	1,835	126.42	6,621	3.61	3.0%
35 to 50	305,307	2,121	150.26	8,864	4.18	2.9%
50 to 60	396,453	2,397	177.85	9,706	4.05	2.4%
60 to 75	425,050	2,393	183.88	10,421	4.35	2.5%
75 to 100	562,367	2,742	209.71	13,842	5.05	2.5%
100 to 125	710,802	2,877	264.00	16,085	5.59	2.3%
125 to 150	868,644	3,451	257.36	18,606	5.39	2.1%
150 to 200	1,005,539	3,846	305.04	22,201	5.77	2.2%
Over 200	1,421,871	3,700	418.22	23,864	6.45	1.7%
D Number of Years Pharmacy Has Been in Operation						
Less than 2 years	$ 332,165	2,015	$164.84	$ 9,318	$4.62	2.8%
2 to 5 years	405,305	2,036	199.12	10,410	5.11	2.6%
5 to 10 years	451,799	2,446	184.71	11,376	4.65	2.5%
Over 10 years	568,795	2,833	200.79	13,188	4.66	2.3%
E Geographic Region						
New England States	$ 578,154	2,446	$233.80	$12,168	$4.97	2.1%
Middle Atlantic States	588,938	2,417	228.00	12,244	5.07	2.1%
East North Central States	573,295	2,746	205.65	13,348	4.86	2.3%
West North Central States	423,723	2,229	188.00	10,285	4.61	2.4%
South Atlantic States	455,486	2,585	176.42	10,293	3.98	2.3%
East South Central States	373,909	2,109	173.69	8,684	4.12	2.3%
West South Central States	463,483	2,333	200.23	10,391	4.45	2.2%
Mountain States	513,135	3,095	165.55	14,430	4.66	2.8%
Pacific States	492,899	2,657	187.22	15,242	5.74	3.1%
LILLY DIGEST Average	498,021	2,524	195.08	12,018	4.76	2.4%

*Based on averages of pharmacies that reported all data

Balance Sheet and Financial Ratios

The pharmacist-owner must review the balance sheet from the standpoint of a capital investor, relating income to the permanent funds invested and evaluating the overall liquidity and solvency of the business. Since the primary objective of a business is to earn a satisfactory return on the funds invested in it, he must be prepared to justify any unusual expenditures or losses. A sound management policy dictates that the pharmacist-owner/manager review both the income and expense statement for an evaluation of operations and the balance sheet for an assessment of financial position.

The owner-investor can judge how effectively the assets are being utilized by relating the asset and liability position to sales and profit figures (see Table 23). Balance sheet information can be developed into ratios that measure asset usage (return on asset investment); the liquidity of the business, or its ability to meet current obligations (current ratio); and the general solvency of the firm (debt/equity ratio). It should be noted that the ratios calculated from the financial information are not inflexible determinants of success or failure but, rather, represent indicators of performance at one point in time. It is suggested that these ratios be considered as a group rather than separately. Comparisons can be made with the values to be found in Tables 24 through 28.

Liquidity or Short-Term Capitalization

Liquidity measures the pharmacy's ability to meet its current obligations and reflects the relationship between the store's short-term financial obligations (current liabilities) and the source of funds available to meet these requirements (current assets).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The "current ratio" is determined by dividing the current assets (cash, notes and accounts receivable, and inventory) by the current liabilities (accounts and notes payable which fall due within one year). Some observers believe that a current ratio of 2 to 1 is appropriate for many businesses. This value would allow the current assets to shrink 50% and still cover the current obligations.

The current ratio is a measure not only of the pharmacy's liquidity but also of the margin of safety that management maintains in order to allow for the inevitable unevenness in the flow of funds during the year.

A creditor would like to see a high current ratio; this would indicate a wide margin of safety for any claims against the business. However, a very high ratio may indicate that the manager is not utilizing funds in the most productive way. The inventory, accounts receivable, and cash investment may be higher than necessary and therefore not generating an adequate return.

Table 24 gives an average current ratio of 3.0 to 1 for LILLY DIGEST pharmacies, with newer operations having lower ratios than established pharmacies.

Profitability

Profitability is the measuring stick used to evaluate how effective the manager has been in increasing the owner's equity.

$$\text{Net Profit on Net Sales} = \frac{\text{Net Profit (before Taxes)}}{\text{Annual Sales}}$$

Net profit as a percentage of sales is a widely used measure of profitability. Year-to-year comparisons can be made to discover whether increased profits were due only to increased sales or whether a larger percentage of sales revenue was accounted for in the net profit figure. A discussion of the subject appears on page 36. This measure of profitability is most useful in connection with another standard ratio—return on investment.

$$\text{Return on Investment (Return on Equity)} = \frac{\text{Net Profit}}{\text{Net Worth}}$$

Net worth is the amount of owner's equity and is the difference between total assets and total liabilities. The resulting figure is then divided into net profit (before taxes). In recent years, the return-on-equity calculation has been considered the broadest measure of overall performance, since it evaluates how well funds, as supplied by the owners, are being utilized.

Some individuals think that a more accurate indicator of investment return can be found in the return on total investment.

$$\text{Return on Total Investment} = \frac{\text{Net Profit (before Taxes)}}{\text{Owner's Equity + Long-Term Liabilities}}$$

Net profit on total investment looks at income in relation to the total of the permanent funds invested in the business. It makes no distinction between owner's equity and borrowed capital. The return-on-total-investment ratio is a measure of how well management has used all these permanent funds.

Solvency or Long-Term Capitalization

Solvency is calculated by lenders in estimating the borrowing potential of a firm. Solvency refers to the ability of a pharmacy to meet the repayment schedule on long-term obligations.

$$\text{Debt/Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Net Worth}}$$

A pharmacy in which the total debt exceeds the owner's equity is quite vulnerable to sharp or dramatic changes in the operation. Such changes could be caused by a sudden and prolonged drop in sales or a rise in expenses. When the debt/equity ratio is low in comparison with that in similar operations, the pharmacy may not be leveraged to best advantage.

Net Sales to Net Worth

This ratio examines the productivity of equity in terms of generating sales. A high ratio may imply inadequate owner's capitalization or, put another way, a highly leveraged firm. When the ratio is low, the operation is not obtaining full use of its funds, and the owner's investment has become stagnant.

Funded Debt to Net Working Capital

Funded debts are long-term obligations such as mortgages, chattel mortgages, term notes, and other notes not maturing within one year. If funded debt is divided by net working capital, a ratio is obtained which is helpful in determining one's ability to borrow. When the percentage is low, there is less reliance on funded debt for working capital, and the owner is in a better financial position to borrow funds.

$$\text{Average Payable Period} = \frac{\text{Outstanding Accounts Payable}}{\text{Annual Purchases}} \times 365$$

This ratio expresses the number of days outstanding in accounts payable and measures the extent to which a business is operating on suppliers' capital. A higher-than-average value may imply that the pharmacy is not taking suppliers' cash discounts. This form of credit is the most easily obtained, but it is also one of the most expensive sources of funds when the lost discounts are considered.

The balance sheet data submitted by 1,173 pharmacies are summarized in Table 23. In comparison with 1981 data, net working capital increased by $3,991 (up 6.6%) as a result of a $4,952 rise in current assets (up 5.4%) and a $961 increase in current liabilities (up 3.1%). Net worth grew by $3,952 during 1982; as a percent of total sales, it remained the same at 16.2%. Since the gain in net profit before taxes (up 4.5%) was not enough to compensate for the growth in net worth for these pharmacies, there was a slightly lower return on investment.

Financial ratio figures for pharmacies contributing their 1982 operating data to the LILLY DIGEST are presented in Table 24. These statistics are arranged by store age so that more definitive comparisons can be made.

Table 23 *Current trends in balance sheet information*

Averages per Pharmacy	December 31,1982 (1,173 Pharmacies)	December 31,1981 (1,381 Pharmacies)	Amount and Percent of Change
Assets			
Current assets			
Cash	$ 14,535— 12.2%	$ 12,740— 11.4%	+$ 1,795—14.1%
Accounts receivable	15,888— 13.4%	15,045— 13.4%	+$ 843— 5.6%
Inventory	65,716— 55.2%	63,402— 56.6%	+$ 2,314— 3.6%
Total current assets	$ 96,139— 80.8%	$ 91,187— 81.4%	+$ 4,952— 5.4%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	15,87[illegible]- 13.3%	14,561— 13.0%	+$ 1,317— 9.0%
Other assets			
Prepaid expenses, deposits, etc.	6,950— 5.9%	6,249— 5.6%	+$ 701—11.2%
Total assets*	$118,967—100.0%	$111,997—100.0%	+$ 6,970— 6.2%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 18,373— 15.4%	$ 17,931— 16.0%	+$ 442— 2.5%
Notes payable (within one year)	6,709— 5.6%	6,499— 5.8%	+$ 210— 3.2%
Accrued expenses and other liabilities	6,535— 5.5%	6,226— 5.6%	+$ 309— 5.0%
Total current and accrued liabilities	$ 31,617— 26.5%	$ 30,656— 27.4%	+$ 961— 3.1%
Long-term liabilities			
Notes payable (later than one year)	19,111— 16.1%	17,054— 15.2%	+$ 2,057—12.1%
Total liabilities	$ 50,728— 42.6%	$ 47,710— 42.6%	+$ 3,018— 6.3%
Net Worth	68,239— 57.4%	64,287— 57.4%	+$ 3,952— 6.1%
Total liabilities and net worth*	$118,967—100.0%	$111,997—100.0%	+$ 6,970— 6.2%
Net working capital	$ 64,522	$ 60,531	+$ 3,991— 6.6%
Sales	$420,955	$396,799	+$24,156— 6.1%
Purchases	$281,481	$264,597	+$16,884— 6.4%
Net profit (before taxes)	$ 13,859	$ 13,256	+$ 603— 4.5%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Table 24 *Current financial ratios by pharmacy age*

	Pharmacy Age under 2 Years (81 Pharmacies)	Pharmacy Age 2 to 5 Years (254 Pharmacies)	Pharmacy Age 5 to 10 Years (270 Pharmacies)	Pharmacy Age over 10 Years (568 Pharmacies)	Total (1,173 Pharmacies)
Current assets to current liabilities	3.5 times	2.8 times	2.8 times	3.2 times	3.0 times
Quick assets to current liabilities	0.9 times	0.8 times	0.8 times	1.1 times	1.0 times
Net sales to inventory	5.7 times	6.5 times	6.4 times	6.5 times	6.4 times
Inventory to net working capital	103.4%	108.6%	110.0%	96.8%	101.9%
Current debt to inventory	39.3%	51.9%	49.7%	47.2%	48.1%
Net sales to net working capital	5.9 times	7.0 times	7.0 times	6.2 times	6.5 times
Net profit (before taxes) on net sales	2.5%	4.2%	3.4%	3.0%	3.3%
Net profit (before taxes) on net worth	20.8%	32.8%	23.0%	16.5%	20.3%

Table 25 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales under $200,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (72 Pharmacies)	Pharmacy Age over 5 Years (80 Pharmacies)	Total (152 Pharmacies)
Assets			
Current assets			
Cash	$ 4,850— 10.1%	$ 4,633— 9.4%	$ 4,736— 9.7%
Accounts receivable	4,945— 10.3%	5,195— 10.5%	5,076— 10.4%
Inventory	29,374— 60.9%	30,038— 61.0%	29,724— 61.0%
Total current assets	$ 39,169— 81.3%	$ 39,866— 80.9%	$ 39.536— 81.1%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	8,460— 17.6%	5,821— 11.8%	7,071— 14.5%
Other assets			
Prepaid expenses, deposits, etc.	561— 1.1%	3,578— 7.3%	2,149— 4.4%
Total assets*	$ 48,190—100.0%	$ 49,265—100.0%	$ 48,756—100.0%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 5,673— 11.8%	$ 5,587— 11.3%	$ 5,628— 11.5%
Notes payable (within one year)	3,757— 7.8%	2,111— 4.3%	2,891— 5.9%
Accrued expenses and other liabilities	1,258— 2.6%	1,391— 2.8%	1,328— 2.7%
Total current and accrued liabilities	$ 10,688— 22.2%	$ 9,089— 18.4%	$ 9,847— 20.1%
Long-term liabilities			
Notes payable (later than one year)	18,353— 38.1%	5,248— 10.7%	11,456— 23.5%
Total liabilities	$ 29,041— 60.3%	$ 14,337— 29.1%	$ 21,303— 43.6%
Net Worth	19,149— 39.7%	34,928— 70.9%	27,453— 56.4%
Total liabilities and net worth*	$ 48,190—100.0%	$ 49,265—100.0%	$ 48,756—100.0%
Net working capital	$ 28,481	$ 30,777	$ 29,689
Sales	$150,593	$159,993	$155,541
Purchases	$ 98,709	$102,633	$100,774
Net profit (before taxes)	$ 3,678	$ 4,028	$ 3,862

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	3.7 times	4.4 times	4.0 times
Quick assets to current liabilities	0.9 times	1.1 times	1.0 times
Net sales to inventory	5.1 times	5.3 times	5.2 times
Inventory to net working capital	103.1%	97.6%	100.1%
Current debt to inventory	36.4%	30.3%	33.1%
Net sales to net working capital	5.3 times	5.2 times	5.2 times
Net profit (before taxes) on net sales	2.4%	2.5%	2.5%
Net profit (before taxes) on net worth	19.2%	11.5%	14.1%

The DIGEST continues to report balance sheet and financial ratio information (Tables 25 through 28) arranged according to the following sales-volume categories—under $200,000, $200,000 to $400,000, $400,000 to $600,000, and over $600,000. Stores within each category are also divided according to age. The primary column for comparison in each category is the one that expresses the components as percents of sales (printed in color). The tables show that when a pharmacy has been in operation for more than five years, long-term liabilities decrease both as a percent of sales and as a percent of the combined total liabilities and net worth. This is to be expected since, as a pharmacy matures, it generates funds adequate to retire debt and build up net worth.

BEST AVAILABLE COPY

Table 26 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales $200,000 to $400,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (170 Pharmacies)	Pharmacy Age over 5 Years (311 Pharmacies)	Total (481 Pharmacies)
Assets			
Current assets			
Cash	$ 10,129— 11.4%	$ 10,535— 12.0%	$ 10,391— 11.8%
Accounts receivable	9,138— 10.3%	12,006— 13.7%	10,992— 12.5%
Inventory	49,176— 55.3%	50,460— 57.3%	50,007— 56.6%
Total current assets	$ 68,443— 77.0%	$ 73,001— 83.0%	$ 71,390— 80.9%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	17,157— 19.3%	10,593— 12.0%	12,913— 14.6%
Other assets			
Prepaid expenses, deposits, etc.	3,234— 3.7%	4,362— 5.0%	3,964— 4.5%
Total assets*	$ 88,834—100.0%	$ 87,956—100.0%	$ 88,267—100.0%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 12,755— 14.4%	$ 13,084— 14.9%	$ 12,968— 14.7%
Notes payable (within one year)	5,981— 6.7%	4,953— 5.6%	5,316— 6.0%
Accrued expenses and other liabilities	4,206— 4.7%	3,606— 4.1%	3,818— 4.3%
Total current and accrued liabilities	$ 22,942— 25.8%	$ 21,643— 24.6%	$ 22,102— 25.0%
Long-term liabilities			
Notes payable (later than one year)	23,490— 26.4%	12,287— 14.0%	16,247— 18.4%
Total liabilities	$ 46,432— 52.2%	$ 33,930— 38.6%	$ 38,349— 43.4%
Net Worth	42,402— 47.8%	54,026— 61.4%	49,918— 56.6%
Total liabilities and net worth*	$ 88,834—100.0%	$ 87,956—100.0%	$ 88,267—100.0%
Net working capital	$ 45,501	$ 51,358	$ 49,288
Sales	$297,835	$302,678	$300,966
Purchases	$201,681	$198,771	$199,799
Net profit (before taxes)	$ 11,804	$ 11,066	$ 11,327

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	3.0 times	3.4 times	3.2 times
Quick assets to current liabilities	0.8 times	1.0 times	1.0 times
Net sales to inventory	6.1 times	6.0 times	6.0 times
Inventory to net working capital	108.1%	98.3%	101.5%
Current debt to inventory	46.7%	42.9%	44.2%
Net sales to net working capital	6.5 times	5.9 times	6.1 times
Net profit (before taxes) on net sales	4.0%	3.7%	3.8%
Net profit (before taxes) on net worth	27.8%	20.5%	22.7%

The data also indicate that, generally, inventory levels decline percentagewise as a store ages, which suggests that management has learned to correlate purchases more closely with a more predictable sales activity.

Net working capital, according to the balance sheet data, rises both in dollars and as a percent of sales in operations that are more than five years old.

BEST AVA

Table 27 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales $400,000 to $600,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (64 Pharmacies)	Pharmacy Age over 5 Years (252 Pharmacies)	Total (316 Pharmacies)
Assets			
Current assets			
Cash	$ 15,600— 11.1%	$ 18,794— 13.6%	$ 18,147— 13.1%
Accounts receivable	18,210— 12.9%	20,506— 14.9%	20,041— 14.5%
Inventory	73,443— 52.1%	74,699— 54.3%	74,444— 53.8%
Total current assets	$107,253— 76.1%	$113,999— 82.8%	$112,632— 81.4%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	25,266— 17.9%	16,755— 12.2%	18,478— 13.4%
Other assets			
Prepaid expenses, deposits, etc.	8,408— 6.0%	6,935— 5.0%	7,235— 5.2%
Total assets*	$140,927—100.0%	$137,689—100.0%	$138,345—100.0%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 20,878— 14.8%	$ 21,010— 15.3%	$ 20,983— 15.2%
Notes payable (within one year)	10,992— 7.8%	6,609— 4.8%	7,497— 5.4%
Accrued expenses and other liabilities	8,390— 6.0%	8,270— 6.0%	8,294— 6.0%
Total current and accrued liabilities	$ 40,260— 28.6%	$ 35,889— 26.1%	$ 36,774— 26.6%
Long-term liabilities			
Notes payable (later than one year)	42,463— 30.1%	14,433— 10.5%	20,110— 14.5%
Total liabilities	$ 82,723— 58.7%	$ 50,322— 36.6%	$ 56,884— 41.1%
Net Worth	58,204— 41.3%	87,367— 63.4%	81,461— 58.9%
Total liabilities and net worth*	$140,927—100.0%	$137,689—100.0%	$138,345—100.0%
Net working capital	$ 66,993	$ 78,110	$ 75,858
Sales	$479,108	$492,489	$489,779
Purchases	$321,603	$327,839	$326,576
Net profit (before taxes)	$ 19,469	$ 16,519	$ 17,116

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	2.7 times	3.2 times	3.1 times
Quick assets to current liabilities	0.8 times	1.1 times	1.0 times
Net sales to inventory	6.5 times	6.6 times	6.6 times
Inventory to net working capital	109.6%	95.6%	98.1%
Current debt to inventory	54.8%	48.0%	49.4%
Net sales to net working capital	7.2 times	6.3 times	6.5 times
Net profit (before taxes) on net sales	4.1%	3.4%	3.5%
Net profit (before taxes) on net worth	33.4%	18.9%	21.0%

ABLE COPY

Table 28 *Balance sheet and financial ratios by pharmacy age as of December 31, 1982—sales over $600,000*

Averages per Pharmacy	Pharmacy Age under 5 Years (29 Pharmacies)	Pharmacy Age over 5 Years (195 Pharmacies)	Total (224 Pharmacies)
Assets			
Current assets			
Cash	$ 22,536— 11.9%	$ 25,353— 12.2%	$ 24,988— 12.2%
Accounts receivable	26,341— 13.9%	28,108— 13.5%	27,879— 13.6%
Inventory	98,138— 51.7%	113,553— 54.8%	111,558— 54.3%
Total current assets	$147,015— 77.5%	$167,014— 80.5%	$164,425— 80.1%
Fixed assets			
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	33,901— 17.9%	23,163— 11.2%	24,553— 12.0%
Other assets			
Prepaid expenses, deposits, etc.	8,794— 4.6%	17,322— 8.3%	16,218— 7.9%
Total assets*	$189,710—100.0%	$207,499—100.0%	$205,196—100.0%
Liabilities			
Current and accrued liabilities			
Accounts payable	$ 29,569— 15.6%	$ 35,743— 17.2%	$ 34,944— 17.0%
Notes payable (within one year)	13,245— 7.0%	10,872— 5.2%	11,179— 5.4%
Accrued expenses and other liabilities	10,211— 5.4%	13,901— 6.7%	13,423— 6.5%
Total current and accrued liabilities	$ 53,025— 28.0%	$ 60,516— 29.1%	$ 59,546— 28.9%
Long-term liabilities			
Notes payable (later than one year)	65,292— 34.4%	23,656— 11.4%	29,046— 14.2%
Total liabilities	$118,317— 62.4%	$ 84,172— 40.5%	$ 88,592— 43.1%
Net Worth	71,393— 37.6%	123,327— 59.5%	116,604— 56.9%
Total liabilities and net worth*	$189,710—100.0%	$207,499—100.0%	$205,196—100.0%
Net working capital	$ 93,990	$106,498	$104,879
Sales	$736,496	$765,356	$761,619
Purchases	$503,636	$517,704	$515,883
Net profit (before taxes)	$ 28,789	$ 20,398	$ 21,484

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

Financial Ratios			
Current assets to current liabilities	2.8 times	2.8 times	2.8 times
Quick assets to current liabilities	0.9 times	0.9 times	0.9 times
Net sales to inventory	7.5 times	6.7 times	6.8 times
Inventory to net working capital	104.4%	106.6%	106.4%
Current debt to inventory	54.0%	53.3%	53.4%
Net sales to net working capital	7.8 times	7.2 times	7.3 times
Net profit (before taxes) on net sales	3.9%	2.7%	2.8%
Net profit (before taxes) on net worth	40.3%	16.5%	18.4%

BEST AVAILABLE COPY

Table 29 *Ten-year trends*

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales	Percent of Sales
Assets										
Current assets										
Cash	3.5%	3.2%	3.4%	3.3%	3.5%	3.8%	3.8%	4.1%	3.9%	4.5%
Accounts receivable	3.8%	3.8%	3.8%	3.8%	3.8%	3.9%	3.9%	4.0%	4.2%	4.1%
Inventory	15.5%	16.0%	16.4%	16.4%	16.5%	16.4%	16.5%	16.5%	16.9%	16.8%
Total current assets	22.8%	23.0%	23.6%	23.5%	23.8%	24.1%	24.2%	24.6%	25.0%	25.4%
Fixed assets										
Fixtures and equipment and leasehold improvements (net after reserve for depreciation)	3.8%	3.7%	3.9%	3.9%	3.9%	3.8%	3.9%	3.7%	3.7%	4.0%
Other assets										
Prepaid expenses, deposits, etc.	1.7%	1.5%	1.5%	1.5%	1.5%	1.4%	1.3%	1.6%	1.5%	1.7%
Total assets*	28.3%	28.2%	29.0%	28.9%	29.2%	29.3%	29.4%	29.9%	30.2%	31.1%
Liabilities										
Current and accrued liabilities										
Accounts payable	4.4%	4.5%	4.6%	4.6%	4.7%	4.7%	4.9%	4.9%	5.3%	5.1%
Notes payable (within one year)	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.7%
Accrued expenses and other liabilities	1.6%	1.6%	1.5%	1.5%	1.6%	1.5%	1.5%	1.6%	1.7%	1.7%
Total current and accrued liabilities	7.6%	7.7%	7.7%	7.7%	7.9%	7.8%	8.0%	8.0%	8.5%	8.5%
Long-term liabilities										
Notes payable (later than one year)	4.5%	4.3%	4.5%	4.2%	4.6%	4.1%	4.1%	3.7%	4.2%	4.0%
Total liabilities	12.1%	12.0%	12.2%	11.9%	12.5%	11.9%	12.1%	11.7%	12.7%	12.5%
Net Worth	16.2%	16.2%	16.8%	17.0%	16.7%	17.4%	17.3%	18.2%	17.5%	18.6%
Total liabilities and net worth*	28.3%	28.2%	29.0%	28.9%	29.2%	29.3%	29.4%	29.9%	30.2%	31.1%
Net working capital	15.3%	15.3%	15.9%	15.7%	15.9%	16.2%	16.3%	16.6%	16.5%	16.9%
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Purchases	66.9%	66.7%	66.6%	66.6%	67.0%	66.5%	66.2%	66.0%	66.0%	65.0%
Net profit (before taxes)	3.3%	3.3%	3.7%	3.5%	3.6%	3.6%	3.8%	3.7%	3.8%	4.0%

*Excludes land, buildings, investments, and goodwill and corresponding liabilities

In Table 29, the ten-year trends of balance sheet data are expressed as percents of sales. Fixed asset figures suggest a slight overall downtrend over the past ten years. Evidently, additional investment in fixtures and equipment to handle growing sales volume either has not been necessary or managers have deferred purchases. It is possible that owners are not reinvesting earnings in new capital equipment, probably because of the decline in net profit as a percent of sales, the main source of funds. High interest rates for borrowed funds may also contribute to a decision to delay capital investment. The overall decline in net worth and in net working capital as a share of sales may be associated with the general downtrend in net income.

Lilly Analysis Service Participants—One Year Later

A tabulation of operating figures of pharmacies reporting for both 1981 and 1982 is presented in Table 30. In addition, statistics of stores participating in the LILLY DIGEST for the first time are in the right-hand column.

A study of stores submitting data for two years shows that sales volume and prescription activity increased during 1982. In both dollars and percentage of sales, their cost of goods sold also rose. It is interesting to observe that the gross margin was almost the same for these pharmacies as for stores reporting for only one year.

Total expenses fell somewhat as a percent of sales in the two-year group but were not sufficient to offset the decline in gross margin, so that net profit fell 0.3% to 2.9% of sales in 1982. This was the same figure as that recorded for the average LILLY DIGEST pharmacy (Table 1).

Total income for the two-year stores increased in dollars but was lower as a percent of sales. This statistic was higher for the two-year group than for pharmacies reporting for the first time.

The average prescription charge rose 12.8% during 1982 in the two-year units. This increase, accompanied by a 0.5% advance in prescription activity, accounted for a growth of over 13% in prescription revenue.

Table 30 *Summary of operating figures in pharmacies reporting two years and one year*

Averages per Pharmacy	905 Pharmacies Reporting Both Years				623 Pharmacies Reporting Only in 1982	
	1982		1981	Amount and Percent of Change		
Sales						
Prescription	$275,044	55.3%	$242,616	53.5%	+$32,428	+13.4%	$268,871	53.9%
Other	222,625	44.7%	210,762	46.5%	+$11,863	+5.6%	229,660	46.1%
Total	$497,669	100.0%	$453,378	100.0%	+$44,291	+9.8%	$498,531	100.0%
Cost of goods sold	330,453	66.4%	298,927	65.9%	+$31,526	+10.5%	330,757	66.3%
Gross margin	$167,216	33.6%	$154,451	34.1%	+$12,765	+8.3%	$167,774	33.7%
Expenses								
Proprietor's or manager's salary	$ 30,372	6.1%	$ 28,042	6.2%	+$ 2,330	+8.3%	$ 29,374	5.9%
Employees' wages	56,406	11.3%	52,573	11.6%	+$ 3,833	+7.3%	56,524	11.3%
Rent	12,030	2.4%	11,163	2.5%	+$ 867	+7.8%	12,001	2.4%
Miscellaneous operating costs	54,097	10.9%	48,301	10.6%	+$ 5,796	+12.0%	54,935	11.1%
Total expenses	$152,905	30.7%	$140,079	30.9%	+$12,826	+9.2%	$152,834	30.7%
Net profit (before taxes)	$ 14,311	2.9%	$ 14,372	3.2%	−$ 61	−0.4%	$ 14,940	3.0%
Total income of self-employed proprietor (before taxes on income and profits)	$ 44,683	9.0%	$ 42,414	9.4%	+$ 2,269	+5.3%	$ 44,314	8.9%
Number of prescriptions dispensed	27,554		27,408		+ 146	+0.5%	27,426	
Prescription charge	$9.98		$8.85		+$ 1.13	+12.8%	$9.80	

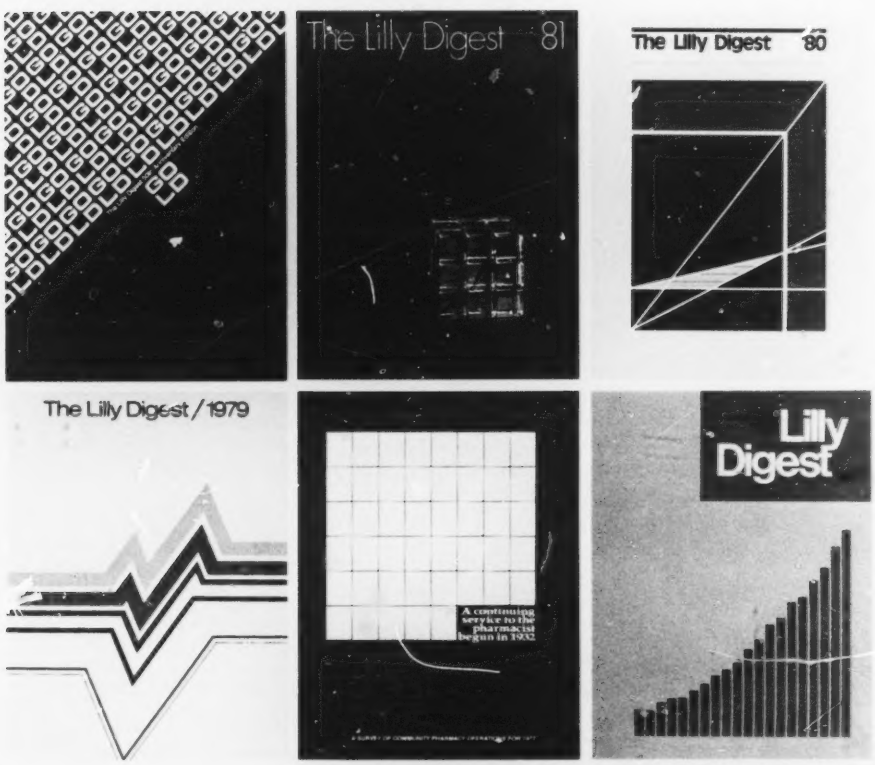
The Lilly Analysis Service

A pharmacy's financial statement reflects the strengths and weaknesses of management's policies. It is extremely important that the information found in these statements be properly interpreted and utilized. Pharmacy managements can more easily find problem areas and provide solutions by reviewing a pharmacy's financial figures on a regular basis. Such a methodical approach identifies problems early when they can be corrected easily, rather than waiting for them to become unwieldy and difficult to solve. A constant need for good information is at the heart of a well-managed business.

The Lilly Analysis Service is designed to support management's financial review. Operating data from any community pharmacy will be analyzed at no charge. The service is available to any pharmacist upon request, and all information is kept strictly confidential.

After a pharmacy's figures are received, they are audited and computerized. The printouts are then analyzed by staff experts, the comments are typed, and the completed reports are mailed directly to the designated addresses. Names need not be given if the address is adequate.

The object of the report is to identify areas that may present potential problems and, if appropriate, offer suggestions for improvement that may be considered. Operating areas that seem to be performing quite satisfactorily will also be identified. To receive a *free personal and confidential* analysis, contact the Lilly Analysis Service, Department MC-698, Eli Lilly and Company, Indianapolis, Indiana 46285.


The Lilly Digest 81
The Lilly Digest '80
The Lilly Digest / 1979
A continuing service to the pharmacist begun in 1932
Lilly Digest

BEST AVAILABLE COPY

In Conclusion

The pattern of independent community pharmacy operations that was observed in the early to mid-1970's reemerged during 1982. Total sales attained an all-time high. However, the cost of goods sold renewed its upward trend, and economies in total expenses were not sufficient to compensate for the lower gross margin, which caused a further decline in net profit. In order to contain other costs and attempt to sustain net profit, the typical pharmacist-owner, while drawing a larger salary in dollars, is taking less as a percent of sales.

One bright spot in community pharmacy operations continues to be the professional area of the business. The prescription department reached a new record high in sales revenue during 1982. This department has been a major contributor to the financial success of independent community pharmacy operations, and this reflects the vital role of the professional area in total health care.

Should the trend toward higher costs continue, pharmacy managers will need to persevere in efforts to find new ways to control their expenses in order to improve net profit and assure continuation of the business.

If you would like to have the Lilly Analysis Service analyze your financial information for 1983, just complete the participation form that will be **mailed to you early in January of 1984.** If you would like an immediate analysis of your present financial information, participation forms are available from Department MC-698, Eli Lilly and Company, Indianapolis, Indiana 46285.

Income and Expense Statement	Current Data (Dollars)	Current Data (% of Sales)	Last Year's Data (% of Sales)	Lilly Digest Data (Comparable Category) (see page 23)	Notes (◆ or ◆)
Net sales	$	%	%	%	
Cost of goods sold	$	%	%	%	
Gross margin (net sales less cost of goods sold)	$	%	%	%	
Expenses					
Proprietor's or manager's salary	$	%	%	%	
Employees' wages	$	%	%	%	
Rent	$	%	%	%	
Heat, light, and power	$	%	%	%	
Accounting, legal, and other professional fees	$	%	%	%	
Taxes (except on buildings, income, and profit) and licenses	$	%	%	%	
Insurance (except on buildings)	$	%	%	%	
Interest paid	$	%	%	%	
Repairs	$	%	%	%	
Delivery	$	%	%	%	
Advertising	$	%	%	%	
Depreciation (except on buildings)	$	%	%	%	
Bad debts charged off	$	%	%	%	
Telephone	$	%	%	%	
Miscellaneous	$	%	%	%	
Total expenses	$	%	%	%	
Net operating profit (gross margin less total expenses)	$	%	%	%	

Balance Sheet	Current Data (Dollars)	Current Data (% of Sales)	Last Year's Data (% of Sales)	Lilly Digest Data (Comparable Category) (see pages 46-51)	Notes (◆ or ◆)
Current assets	$	%	%	%	
Fixed assets	$	%	%	%	
Total assets	$	%	%	%	
Current liabilities	$	%	%	%	
Long-term liabilities	$	%	%	%	
Total liabilities	$	%	%	%	
Net worth	$	%	%	%	

Other Calculations	Current Data	Last Year's Data	Lilly Digest Data (Comparable Categories) (see pages 23 and 46-51)	Notes (◆ or ◆)
Inventory turnover	times	times	times	
Prescription sales/prescription inventory	$	$	$	
Average prescription charge	$	$	$	
Number of prescriptions				
Current assets/current liabilities	times	times	times	
Net sales/net working capital	times	times	times	
Long-term liabilities/net working capital	%	%	%	
Accounts payable outstanding	days	days	days	
Net profit/net worth	%	%	%	